Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	NS3.50	S.Arabia	Rls6.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0 75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr8.00
Egypt	E£2.25	Lebanon	£L125.00	Switzerland	SFr2.20
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$85
France	FFr6.50	Malaysia	Rls4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	1500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr8.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,343 — Tuesday September 22 1987 — D 8523 A

Mozambican guerrillas step-up bush war in Zimbabwe, Page 28

World News | Business Summary

British ship set on fire by gunboat in the Gulf

A British tanker was attacked by an unidentified gunboat in the northern Gulf and set ablaze yesterday, according to shipping sources in the region.

The 102,799-tonne Gentle Breeze was apparently hit in the accommodation quarters and the crew were believed to have abandoned ship. Two crewmen were reported missing. Page 28

Gelli surrenders

Licio Gelli, leader of the notorious Italian P-2 Masonic Lodge and wanted by the Italian and Swiss authorities, surrendered to a judge in Geneva. Page 2

South Korean accord

South Korea's two opposition leaders, Kim Dae Jung and Kim Young Sam, moved closer to agreement on who should stand for the presidency, at the same time that the cabinet approved the new constitution. Page 5

French action 'stupid'

France's President Mitterand said in a Paris interview that the sinking of the Rainbow Warrior, flagship of the Greenpeace environmental movement, by French agents in New Zealand two years ago was an act of stupidity.

Flood toll rises

The death toll in Bangladesh's worst floods for 40 years increased to 900, with a further 100 people swept away by strong currents or killed when their homes collapsed into swirling waters.

Spandau demolition

Demolition work commenced on West Berlin's Spandau prison, where Hitler's deputy Rudolf Hess was held for more than 40 years before his death last month.

Joint wargames

France and West Germany started their biggest joint wargames, code-named "Cheeky Sparrow" and involving 75,000 troops, near Ingolstadt in the south-west of West Germany.

Motorway carnage

Two men were burned to death on the Brussels-Luxembourg motorway just inside Belgium when about 30 cars and lorries crashed in dense fog.

Egyptian air crash

All five crew members of an Egyptair Airbus airliner died when the aircraft hit sand dunes after missing the runway at Luxor airport during a training flight.

Titanic blast theory

French divers who recently recovered valuables from the Titanic discovered a previously unknown hole in the hull which could have been caused by an explosion; French TV channel, La Cinq, claimed.

Lebanon immunisation

Warring factions in Lebanon allowed workers from the United Nations Children's Fund to begin a three day programme to vaccinate about 350,000 of the country's children.

Terrorist suspect

Belgian police arrested Italian urban guerrilla suspect, Paolo Compagnucci, 24, wanted on charges of involvement in the murder of Italian Air Force General Licio Giorgieri, in March this year.

Art hoard recovered

French police investigating international arts thefts discovered more than 1,000 stolen paintings, furniture and other art works in a three-storey warehouse in an undisclosed location in the south of the country.

Hole-in-heart hero

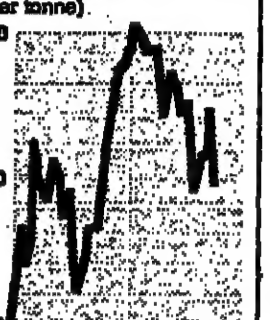
British yachtsman, James Hatfield, 31, the survivor of 10 open heart operations, docked in Penzance, southern England, after becoming the first person to circumnavigate the globe from West to East via Chile's Straits of Magellan.

Bond close to $1.3bn deal with US brewer

MR ALAN BOND, Australian businessman, is close to a deal with G. Heileman Brewing, fourth largest US brewer, which values the company at $1.3bn or $40.75 per share. Heileman was talking with Bond Corporation Holdings. Page 29

COFFEE PRICES fell in London as the International Coffee Organisation's key talks on export quotas began. Overnight news that producers ended a preliminary meeting without agreeing a common position sent the three-month robusta contract down £25 to close at £1,296.50 a tonne. Commodities, Page 40

Coffee
London 2nd position futures
(£ per tonne)



WALL STREET: The Dow Jones industrial average closed down 31.82 at 2492.82. Page 52

LONDON: The CBI's latest bullish findings continued served to buoy equities. Gilts closed down after late selling. The FT-SE 100 index closed up 6.5 at 2,334.8 and the FT Ordinary index rose 4.1 to 1,837.3. Details Page 48

TOKYO: Share prices rose slightly despite hesitancy towards the close caused by the slumping bond market. The Nikkei average closed up 67.58 at 24,912.42. Page 52

GOLD fell in London to $460.25 from $461.25. It also fell in Zurich to $458.85 from $461.25. Page 40

DOLLAR closed in New York at DM1.8100, Y143.05, SFr1.4995 and FFr6.0325. It rose in London to DM1.8150 (DM1.8055); FFr6.0475 (FFr6.0175); SFr1.5050 (SFr1.4970); and to Y143.50 (Y142.65). On Bank of England figures the dollar's index rose to 100.9 from 100.5. Page 41

STERLING closed in New York at $1.6520. It fell in London to $1.6480 ($1.6550). It was unchanged at DM2.9900 but rose to Y236.50 (Y236.25); SFr2.4850 (SFr2.4775); and to FFr9.9675 (FFr9.9625). The pound's exchange rate index was unchanged at 73.3. Page 41

KLEINWORT Benson, UK merchant banking group, announced a £143.6m ($235m) rights issue to provide a stronger capital base from which to effectively compete in world financial markets. Page 29

PHILIPS, Dutch electronics group, offered $56 a share or a total of $672m for the 42 per cent of North American Philips that it does not already own. Page 29

NATIONAL WESTMINSTER Bank is to raise £100m ($164m) through a share issue in Tokyo to help strengthen its standing in Japan.

VEW, Austria's loss-making state-owned special steels company, is to cut its 9,000-strong workforce by a third and undergo a restructuring to help improve its competitiveness. Page 30

PEARSON, UK information, banking and industrial conglomerate, appointed the merchant bank Baring Brothers as a financial adviser in place of S G Warburg. Page 12

BOMBARDIER, Canadian transportation equipment and aerospace group, purchased Transit America, design subsidiary of Budd Company, US rail equipment company conrolled by Thyssen of West Germany.

AVON PRODUCTS, US cosmetics group, has entered into a definitive agreement to acquire Parfums Stern, a family-owned fragrance company, for $160m.

Pentagon blocks Plessey's big takeover plans

BY DAVID THOMAS IN LONDON AND LIONEL BARBER IN WASHINGTON

THE US Department of Defence has blocked an ambitious acquisition plan by Plessey, the UK electronics group, which would have doubled Plessey's size and considerably boosted its presence in the US.

Plessey was planning to acquire Harris Corporation, the Florida-based electronics manufacturer, but scrapped its plans earlier this year after the Pentagon objected on national security grounds.

Harris, which last year reported net income of $84.5m on sales of $2.1bn, makes semiconductors, data processing and communications equipment. It has many Pentagon contracts, some of a highly classified nature.

Sir John Clark, Plessey chairman, has made clear that he wants to expand the company's presence in North America, which accounts for 12 per cent of Plessey's turnover.

Sir John Clark

Plessey, which last year had pre-tax profits of £184.2m ($304m) on sales of £1.43bn, is particularly keen to boost its defence sales in the US and thinks that a sizeable acquisition may be the best way to do this.

Plessey also believed that Harris's communications and semiconductors businesses fitted well with its own. Both companies are putting considerable effort into the development of application specific integrated circuits, the latest generation of customer-specific semiconductors.

Plessey's bid for Harris would have been its first attempt at dramatic expansion since it successfully fought off the hostile bid by General Electric Company of the UK last year. The collapse of its interest in Harris, which Plessey had been considering for some time, is therefore likely to have been a considerable disappointment to Plessey's top management.

Both Plessey and Harris refused to comment last night, but Plessey is understood to have believed initially that the Pentagon was sympathetic to its wish to buy Harris, which has been the subject of considerable takeover rumours on Wall Street this year.

However, Pentagon officials said yesterday that the Department of Defence had objected "very strenuously" on national security grounds to Plessey's proposed acquisition.

Concern centred on Harris's role as a major supplier to the US defence market and its involvement in top-secret contracts, known as "black" projects. One Pentagon official said: "It was really quite significant. All the ants came out of the hill when they heard about the Harris business."

Another official familiar with the proposed purchase declined to describe the Defence Department's intervention as a veto, adding that the Pentagon wanted to impose tough conditions such as the cordoning off of "black" projects in separate subsidiaries with all-US boards of directors and new rules on competitive bidding.

Ferranti plans merger with US defence group

BY DAVID WALLER IN LONDON

FERRANTI, the British electronics company, is to merge with International Signal & Control, the US defence contractor which is listed on the London Stock Exchange, to create one of the UK's largest defence electronics companies.

The new, as yet unnamed group, will have annual sales of in excess of £1bn ($1.6bn) and is expected by analysts to make pre-tax profits of £100m in the year to the end of next March.

The merger follows a year of negotiations between the two companies and takes the form of a recommended offer of nine Ferranti shares for every five ISC shares.

Sir Derek Alun-Jones, Ferranti's chief executive, will become executive chairman of the new group, and Mr James Guerin, ISC's founder and chairman, will be executive deputy-chairman.

Sir Derek said yesterday that the two companies complemented each both in terms of products and the geographical areas they serve. "Both are able, by this single step, to achieve major elements of their long term strategies," he added.

Ferranti is the UK's second largest computer manufacturer and a military radar and communications specialist deriving 60 per cent of its turnover from defence. ISC makes ordnance such as the Rockeye cluster bomb, and a range of other defence products such as advanced weapons systems, intruder detection systems and ramjet engines.

ISC specialises in "turnkey" projects. In its last financial year, it derived 60 per cent of total profit from sales to unidentified customers in the Third World. These accounted for only 40 per cent of turnover, the balance of which derived predominantly from sales to the US Government.

By contrast, Ferranti is technology-driven and operates largely in the UK, where ISC has little more than a toehold. According to Sir Derek, the British Ministry of Defence will be the group's biggest single customer, accounting for between 25 and 30 per cent of combined sales.

Ferranti's sales to the US Government have previously been minimal. It hopes to use ISC's contacts with the Pentagon to expand this area of its business.

Ferranti and ISC are merging after a long period when both their share prices have underperformed the market as a whole. For this reason, some observers think the merger is inspired by a mutual desire to retain a measure of independence at a time when they may appear vulnerable to predators.

ISC, whose pre-tax profits have grown from $15.1m in 1982-83 when it came to the market, to $56.4m in 1986-87, has seen its share price slide over the last year. This is partly because investors have remained suspicious of the secrecy that necessarily surrounds so much of the company's business.

Ferranti's shares have fallen by 60 per cent against the market over the last five years. The company has been perceived as being particularly vulnerable to government cut-backs. Its profits have also been afflicted by its exposure to the depressed world market for semiconductors.

Some two thirds of the new company's turnover will come from defence. Although its £1bn market capitalisation falls far short of that of electronics giants such as GEC, the new group's level of defence turnover is higher in absolute terms than that of Plessey or Racal.

With Ferranti's share price up 11p yesterday to 137p, its offer values ISC at a total of £421m, or 247p a share. This is below ISC's 297p high for the year - but above ISC's closing price of 231p yesterday, up 12p on the day.

Lex, Page 28; analysis, Page 34

Curtain up at the Royal Opera

BY JIMMY BURNS, LABOUR STAFF

THE CURTAIN will go up tomorrow on the new opera season at London's Covent Garden - with a performance of Puccini's La Boheme - following the settlement yesterday of a two-week pay dispute involving 69 choristers employed by the Royal Opera House.

The settlement for Britain's prestige opera company was reached after protracted talks between the opera house and Equity, the actors' union representing the chorus. It involves a two-year pay package which will effectively meet the singers' demands for parity with their counterparts at the English National Opera.

Under the agreement, the opera house has kept to its original offer of a basic salary increase of 4 per cent, but has consolidated and enhanced allowances payable in the current season, bringing the minimum weekly rate from £176 to £195.30p. The company has also agreed to a 5 per cent basic salary increase for the 1988-89 season or more if the increase in the retail price index next year is higher.

Both the opera house and Equity expressed their relief yesterday that a "satisfactory" settlement had been reached which will allow the chorus to resume work immediately.

However, the opera house indicated that in spite of its delight that performances were resuming, its financial problems were far from over.

Mr Ewen Balfour, the opera house's publicity director, said yesterday that the settlement did not exceed what had been set aside for wages in the company's original budget for this season. Nevertheless, he said, the company was now facing an uphill struggle to maximise revenue in the coming months following a dispute which has cost £300,000 in cancelled performances.

Yesterday's agreement includes a freeze on recruitment of new staff. But a further increase in seat prices and a reduction in the scale of future productions seem certain. The opera house is now facing a projected deficit for this season of £1.5m.

Even before the dispute began, the opera house was already facing a deficit of £1.2m ($1.96m) as a result of a government cutback.

This year, the opera's Arts Council grant was raised only I per cent, to £13.2m. For the next two years, subsidies are to increase by 2 per cent a year as part of the Government's determination to force arts organisations to become more self-financing.

Foreign exchange intervention rises to over $70bn

By Stewart Fleming in Washington

FOREIGN EXCHANGE intervention by the Central Banks of the Group of Ten industrial countries and other European countries rose to well over $70bn in the first eight months of this year.

The heaviest intervention was conducted by Japan, the UK and Spain, official figures suggest.

For example, about one-third of the total was accounted for by Japan, one-fifth by the UK and some 15 per cent by Spain.

Between 5 and 10 per cent of the total intervention was conducted by the Bank of France and the Federal Reserve Board, while the Bundesbank, the West German Central Bank, concerned about the domestic monetary implications, accounted for under 5 per cent.

The overall intervention estimate is in line with figures disclosed in August by Mr Karl Otto Poehl, President of the Bundesbank, who, in an interview with a West German magazine, said that between the end of 1986 and the middle of 1987 "central banks in the whole world had bought $60-70bn".

The figures for the G10 and the European Central banks do not include intervention by, in particular, Asian countries such as Taiwan which have also been buying dollars, partly to prevent too rapid an appreciation of their currencies.

One analyst with access to the figures said yesterday that in view of the renewed weakness in the dollar in August and September, worldwide intervention has probably reached around $90bn.

The motivations for the intervention will have varied from Central Bank to Central Bank.

One official suggested yesterday, for example, that UK intervention will partly have been aimed at stabilising the sterling-D-Mark rate.

But much of it will have been designed to stabilise the dollar and the figures to support the contention by private economists that most of the US current account deficit this year is being financed by official sources.

The massive intervention, coupled with the sharp rise in US interest rates, particularly long-term bond rates, has helped to keep the dollar within the broad ranges agreed between the governments of the seven major industrial countries in Paris in February.

Reagan calls for spread of democracy

BY ANDREW GOWERS IN NEW YORK

PRESIDENT Ronald Reagan moved yesterday to capture the international political high ground, calling for the spread of democracy and free markets, hailing the prospects of an improvement in East-West relations, but aiming stern challenges at the Soviet Union, Iran, and Nicaragua over their role in regional conflicts.

In a speech to a United Nations General Assembly session packed with ministers, including Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr Yasuhiro Nakasone, the Japanese Prime Minister, the US President sought to build on last week's agreement in principle between Washington and Moscow on the global elimination of intermediate-range nuclear missiles by outlining the conditions under which further stability could be injected into international relations.

From the Soviet Union, he said he expected "more constructive conduct in the settling of regional conflicts," in particular the Gulf war, the Afghanistan conflict and the crisis in Central America, as well as genuine evidence of greater internal freedom, which he emphasised was indivisible from the Soviet Union's international relations.

But his declaration was markedly free of the anti-Soviet rhetoric of previous years, underlining the businesslike approach the Reagan Administration now seems to be adopting in its relations with the Kremlin. He said he was "heartened" by the prospect for improved East-West relations and "intensely interested" in Mr Mikhail Gorbachev's declared policy of openness.

"We continue to have our differences, and probably always will," he said. "But that puts a special responsibility on us to find ways - realistic ways - to bring greater stability to our competition and to show the world a constructive example of the value of communication and of the possibility of peaceful solutions to political problems."

He also reiterated his commitment both to working to a 50 per cent reduction in the US and Soviet strategic nuclear arsenals and to Washington's Strategic Defence Initiative, which is seen by Moscow as a major obstacle to such an accord. "SDI has greatly enhanced the prospect for real arms reduction," he said. "It is a crucial part of our efforts to ensure a safer world and a more stable strategic balance."

Some of Mr Reagan's strongest words concerned the Gulf war. He called upon President Ali Khamenei of Iran "clearly and uneqivocally" to state whether Iran accepted UN Security Council Resolution 598 calling for a ceasefire in its war with Iraq.

He also challenged Mr Gorbachev once again to set a deadline for beginning the withdrawal of Soviet troops from Afghanistan.

Speaking after Mr Reagan, Mr Nakasone echoed his comments on the spread of democracy and free markets, and called for an end to the Gulf war. He was expected, in bilateral talks later with the US President, to offer financial assistance towards the cost of US and other Western naval patrols in the Gulf.

EC steel quotas depend on closure guarantees

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN COMMUNITY steel quotas should only continue beyond the end of this year if "adequate guarantees" for substantial closures can be obtained from producers first, EC industry ministers agreed here yesterday.

The 12 member states are to ask a committee of three commercially expert "wise men" to advise by mid-November on how to cut the Community's 30m tonnes of steelmaking overcapacity.

"There is very broad agreement that... within a given number of years we must establish a healthy and active steel industry based on the normal mechanisms of the market," said Mr Nils Wilhjelm, the Danish Industry Minister chairing the meeting. The ministers will meet again on December 8 to decide on the report, which could pinpoint individual plants for closure.

The committee will be appointed by the Commission shortly, but one name being mentioned last night was Viscount Etienne Davignon, former EC industry commissioner. If the Commission is satisfied, it is proposing to keep in place for three years output controls on hot rolled coil, cold rolled sheet and heavy sections.

However, if governments fail to agree on the capacity reductions needed, the Commission has promised to abandon by the

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Gustav Husak, a leader with no desire to emulate the Gorbachev strategy, Page 3

SOFTLY, SOFTLY APPROACH TO CZECH REFORMS

PRESIDENT LAUNCHES PRE-ELECTION SALVO

Mitterrand attacks Government TV policy

BY PAUL BETTS IN PARIS

PRESIDENT Francois Mitterrand has chosen the highly charged political issue of French broadcasting to fire yet another salvo against the right-wing Government of Mr Jacques Chirac.

In a surprise interview in a news magazine yesterday, Mr Mitterrand attacked the Government's broadcasting policies. He also questioned the impartiality of the Commission Nationale des Communications et Libertes (CNCL), the independent broadcasting commission set up by the administration.

With Mr Mitterrand's latest attack against the Government's broadcasting policies, the opposition Socialist party appears to have decided to accelerate its undeclared campaign for next spring's presidential elections. The Socialists also appear to be focusing their campaign increasingly on what they see as the neo-Gaullist right's efforts to manipulate the strings of power in favour of its friends in the private sector.

By questioning the independence of the CNCL and stating that the commission had so far "done nothing to inspire respect," Mr Mitterrand implied that the right would lean on the newly deregulated French television industry for its political and electoral ends.

His criticism comes barely a few days after the Socialists launched a major attack on the Government's denationalisation programme, charging the administration with favouring its political allies in the distribution of the *spoils* of privatisation.

Mr Mitterrand has now publicly attacked the Government during the past few days on a number of sensitive issues including, among them, the role of the French army in the New Caledonia referendum and on the 1988 budget. These attacks are clearly straining the delicate political cohabitation between the Socialist president and the right-wing Government. Indeed, with the approach of next year's elections. Mr Mitterrand appears to have decided to adopt a more active and direct role in the national political debate at the risk of shaking the political power-sharing balance.

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By striking against the Government's broadcasting reforms, Mr Mitterrand has touched on a particularly sensitive and highly emotive public issue in France. The privatisation this summer of TF-1, France's largest and oldest national television channel, and the reallocation of the concessions to operate the country's other private networks to personalities close to the neo-Gaullist RPR party had already sparked a national controversy of Gallic proportions.

In his interview yesterday, Mr Mitterrand suggested he wanted to see a change in the current state of the broadcasting industry. He said he would like to see the CNCL replaced by "an *institution which* was made up of people worthy of their mission."

The CNCL yesterday protested against Mr Mitterrand's attack claiming that it had always been "fully independent." However, two of its 13 members refused to endorse the statement. In a separate communique they claimed the commission had at times taken "non-pluralistic decisions."

The French broadcasting media have long been at the centre of repeated political storms and have faced major upheavals and restructurings each time a new majority has come into power.

Confidence in air at Europe security talks

BY JUDY DEMPSEY IN VIENNA

THE 35-nation review meeting of the Conference on Security and Co-operation in Europe (CSCE) resumes in Vienna today buoyed by a wind of optimism after the United States and the Soviet Union last week agreed in principle to conclude a treaty on medium-range nuclear missiles (INF).

The conference, officially scheduled to end on November 20, came to a virtual standstill at the last session with neither side willing to draft proposals for a concluding document and both sides *accusing* each *other* of delaying tactics.

"We think there is a slim chance we can end by November and that we can work better together now," one Western diplomat said. "We reckon that the agreement between Moscow and Washington on INF will concentrate our minds wonderfully. It will probably give us a new impetus to look at ways of reducing conventional arms too,"

In spite of the optimism triggered by the recent arms talks in Washington, several *Western diplomats at the CSCE meeting which is one of several* review sessions of the Helsinki Final Act signed in 1975, are determined not to leave Vienna without a "decent, firm document on human rights."

Meanwhile, the 23 member countries of Nato and the Warsaw Pact which have been meeting informally in Vienna since February to look at ways of giving a fresh impetus to cutting conventional forces in *Europe, will resume talks next* Monday. It is expected that the Warsaw Pact will reply to Nato's proposals which were presented at the 23 talks in July.

The Nato proposals on "conventional stability" seek to eliminate military inequality in Europe and reduce the possibility of either side's launching a surprise attack.

Nato sees military rethink by Moscow

THE SOVIET Union may have had a fundamental rethink in its military strategy toward the West, a North Atlantic Treaty Organisation (Nato) official said yesterday, Reuter reports from Oslo.

Mr Henning Wegener, an assistant secretary-general of the 16-nation Western alliance, told a meeting of Nato parliamentarians that Mr Mikhail Gorbachev, the Soviet leader, had given "surprising indications" that Moscow might be adopting a new approach to its security that could favour the West.

"It is indispensable to inquire at this juncture . . . into the possibility that the Soviet Union is engaged in a fundamental rethinking of its security policy," Mr Wegener told the political committee of the North Atlantic Assembly.

But he aded that Nato should not be imprudent or "let its guard down."

The Assembly, an advisory body to Nato, opened its autumn session with the debate dominated by East-West relations and the political and military implications of a US-Soviet agreement on scrapping Intermediate Nuclear Forces (INF).

The two superpowers announced agreement in principle last week on signing a treaty on scrapping nuclear missiles with a range of 300-3,000 miles.

Mr Wegener, a West German, said Mr Gorbachev's views had emerged against a background of continued military build-up by Moscow and cautioned that there might be only a "limited fall-out" of such thinking in conventional arms negotiations.

But some of Mr Gorbachev's recent speeches and articles appeared to outline potential new principles of security doctrine, he added. These included recognition by Moscow that:

- One state had to be aware of the security concerns of another;
- Disparities in the conventional forces of the Warsaw Pact and Nato should be resolved by one side reducing to the level of the other;
- All war, not just nuclear, had to be prevented and attention given to one side's ability to launch a surprise attack;
- Verification was a vital part of arms control. Mr Wegener also said Nato experts had noticed an apparent shift in doctrine away from long-held Soviet theory of destroying Western forces with a crushing nuclear blow and a greater emphasis on the responsibility of Soviet nuclear forces.

The Assembly, which groups 188 parliamentarians from Nato member-states, is meeting throughout the week on the theme of the challenge posed for the Western alliance by arms control.

Last week's US-Soviet agreement in principle on scrapping medium- and shorter-range missiles, an issue which has tormented Nato this year, dominated the proceedings.

But a senior US diplomat from Nato headquarters in Brussels defended the accord.

"It is high time for all of us to light a candle for our collective success and stop cursing the darkness by doubting the validity of the zero outcome," said the diplomat.

Obstacles to INF pact detailed

By Peter Bruce in Bonn

SIGNIFICANT DIFFICULTIES still stand in the way of an agreement between the Soviet Union and the US on the global removal of their medium-range nuclear missiles, a senior Soviet official said here yesterday.

Ending a two-day visit to Bonn, Mr Vladimir Petrovski, the Soviet Deputy Foreign Minister, said these needed to be resolved before the US Secretary of State, Mr George Shultz, and his Russian counterpart, Mr Eduard Shevardnadze, meet in Washington next week.

"Everything depends on the Americans," Mr Petrovski said. He repeated recent Soviet demands that 400 Pershing 1A missiles—and their warheads—in the US be drawn into the intermediate nuclear force (INF) agreement currently being negotiated in Geneva.

The US Pershing 1A is the same missile that the West German Government recently offered to destroy if the US and Moscow reach an INF agreement.

"We want a real double zero," said Mr Petrovski. The Soviet side was unhappy with the US verification proposals and with the way the US wanted to proceed with the actual destruction of missiles. It wanted to be able to inspect US facilities well beyond the final destruction of American weapons, he said. A US demand that the Soviet Union start destroying its missiles first was also unacceptable.

Moscow has proposed a compromise, which would involve both sides destroying their launchers at the same time. That would leave the missiles intact and perhaps the US "destruction" timetable as well — but would make it impossible to fire them.

"All these technical problems are solvable" before the two foreign ministers met, he said, although he continued to insist that Moscow wanted warheads, missiles and launchers included in an INF deal. The US argues that the Geneva negotiations do not involve warheads.

Earlier, in talks with Mr Hans Dietrich Genscher, the West German Foreign Minister, Mr Petrovski was told that Bonn expected Moscow to react positively in Geneva to Chancellor Helmut Kohl's offer last month to scrap the country's 72 Pershing 1A missiles if an INF deal is struck.

Italian Government wrestles with next year's budget

BY JOHN WYLES IN ROME

THE ITALIAN Government embarks on a 48-hour period of intense internal stress today as ministers attempt to agree a 1988 budget proposal which looks likely to be heavily accented towards increased taxation.

Preparation of the budget for adoption on Thursday has been accompanied by a greater-than-normal volume of leaks to the Press by ministers apparently anxious to shift the blame on to their colleagues for what is set to be an unpopular package of proposals.

Stimulated by a rich diet of prospective tax increases, the media have touched rare heights of hyperbole. Italians have been warned that the budget will be the nation's "Calvary," and it has been universally christened "the sting" in a none-too-flattering — to ministers — reference to the Paul Newman-Robert Redford film about a giant confidence *trick*.

If anything, the leaks have given the impression of general disarray among ministers who have gradually woken up to the impossibility of restoring some order in public finances without new taxes. On present policies, next year's public deficit will be in the region of L130,000bn (£60bn) and the task the Government has set itself is to hold it at this year's level of around L110,000bn.

Having already brought in two emergency packages to put a break on domestic demand and block speculation against the lire, Mr Giuliano Amato, the Treasury Minister, is aiming to put a further dampener on consumption and to reduce the deficit through higher indirect taxes.

Increases in direct taxes appear to have been ruled out on the grounds that they are already high enough and that if they were pushed any higher, trade union reaction would be uncomfortably ugly. The Government may, in fact, try to buy peace on this front by altering tax rates so as to reduce the impact of fiscal drag on average salaries.

Amato: dampener

This was promised to the *unions last year, and hints* that it might be postponed until 1989 have brought dark *threats of a general strike* which will certainly be repeated when leaders meet the Prime Minister, Mr Giovanni Goria, today.

Since attempts to find spending economies do not appear to be going well, ministerial attention has perforce focused on taxation. Amid the welter of possible new taxes with which the media have been spreading alarm and despondency, is one on *housing* and *property which* would be administered locally and would relieve Rome of a great deal of local government financing. Another which has been speculated is a tax on pollution and a third would be a levy on capital illegally held abroad but repatriated under a formal pardon.

The most likely manoeuvre is a rise in value added tax rates despite serious anxiety about their effect on inflation. In attempt to minimise this, the Government would try to "sterilise" the indexation mechanisms to prevent higher rates having their full impact on wages and transfer payments.

EC hopes fade for early steel accord

By William Dawkins in Brussels

EC INDUSTRY Ministers were set last night to abandon efforts to seek an early accord on the full details of controversial European Commission proposals for the future of the Community's steel industry.

They are expected to meet again in mid-November for a final attempt to agree on substantial cuts in the EC's 30m tonnes of steelmaking overcapacity. They will consider a report on the Commission's scheme drawn up by a committee of three experts.

If Governments fails to produce the capacity reductions needed, the Commission has promised to abandon by the end of this year the output controls which have helped support prices since 1980, a threat which Ministers were yesterday taking "very seriously," one national official said.

Member states broadly accepted the need to streamline the industry, but were split over pratically every detail of an *elaborate Commission* plan to keep in place for three years production quotas for hot rolled coil, cold rolled sheet and heavy sections in return for capacity cuts.

The UK, backed by the Netherlands, was holding to its position of deep scepticism over whether the industry could find enough cuts to justify maintaining the protection afforded by quotas.

The Italians, meanwhile, could only accept major steel cuts if some form of national aid for the industry were allowed, a suggestion fought strongly by the Commission.

Senior Commission officials are expected to fly to Rome soon to examine a request made last week by Finsider, the Italian publicly owned steelmaker, to the Italian Government for L5,000bn to cover record operating losses.

They want to know if such a recapitalisation would include state subsidies. National steel aid—except for pollution control, research and development and social spending—have been banned under EC rules since the end of 1985.

Gelli gives himself up to Swiss

BY WILLIAM DULLFORCE IN GENEVA

MR LICIO GELLI, former Grand Master of the P2 Masonic Lodge and the much hunted protagonist in one of Italy's biggest political scandals, gave himself up to the Swiss authorities in Geneva yesterday.

A fugtive for four years, reportedly hiding in South America, after escaping from Geneva's Champ-Dollon prison with the help of a warder in August, 1983, Gelli (68) surrendered to Mr Jean-Pierre Trembley, the examining magistrate. He was accompanied by his son, four lawyers and voluminous medical files to *demonstrate that he was suffer*ing from a heart ailment. His lawyers said he needed surgery.

Gelli was an associate of Roberto Calvi, the head of the Banco Ambrosiano which collapsed with $1.2bn in bad debts in 1982. Calvi, known as "God's banker" because of his connections with the Vatican, was found hanged under Blackfriars Bridge over the River Thames in London in June, 1984.

Italian investigators claim Gelli was also linked with Michele Sindona, the Italian banker who died from cyanide poisoning in an Italian prison after his extraditon from the US.

The P2 (Propaganda Due) lodge established covertly by Gelli in 1973 was the base from which he recruited politicians, bankers, journalists, industrialists, military and members of the Italian secret services. His aim in creating this "state within a state," which earned him the title of "puppet master," was to exert "anonymous and surreptitious control" of hte Italian political system, according to a government commission.

After a tip-off Italian police found at Gelli's villa in 1981 a list of 962 names of alleged P2 members, including cabinet ministers. The scandal brought down the government of Christian Democrat Arnaldo Forlani. Gelli is also suspected of having been involved in the terrorist bomb attack at Bologna railway station which killed 85 people in 1980.

Arrested in Geneva in September 1982, when trying to withdraw money from a Swiss bank, Gelli escaped from prison eight days before the Swiss Supreme Court authorised his extradition to Italy. By surrendering in Geneva, Gelli can delay his extradition to Italy. He was charged yesterday with bribing the warder to help him escape. This charged must be heard in a Swiss court before he can be extradited.

Reports from Rome, however, suggested that he could be seeking to settle some old political scores by returning for trial in Italy.

Unless the Italian authorities file a new extradition request, he could at present only be tried in Italy after extradition on the charges listed in the Italian request to Switzerland in 1982. Far more serious charges have been made since in Italian courts.

Thatcher insists on tough stance by Nato

BY DAVID MARSH IN BONN

MRS MARGARET THATHER, the British Prime Minister, has given firm backing to Mr Mikhail Gorbachev's reform policies but warned that Nato must remain "tough, dispassionate and hard" in dealing with the Soviet Union.

In an interview with the West German news magazine Der *Spiegel published yesterday,* Mrs Thatcher reiterated that the prospective accord to eliminate medium-range nuclear missiles must not lead to a nuclear-free Europe.

She also voiced indirect criticism of West Germany's refusal to help out this summer with the US-led minesweeping action in the Gulf. The idea that Iran could lay as many mines as it wanted without the West defending its ships would be a "blank cheque" for tyrants, she said.

She declared that she would never give up Britain's independent nuclear deterrent, a view also held by France, she said.

Further steps in nuclear disarmament should not go "much further" until chemical weapons had been banned and the Soviet superiority dismantled in conventional forces. Nuclear disarmament did not remove the threat of a conventional war from which the world had already twice suffered.

On the changes in the Soviet *Union, she said, "I express my* greatest respect for Gorbachev's courage in spelling out by name (his country's) problems." Planned Soviet reforms would not only be of use for the USSR but could also contribute to "respect of human rights in a larger part of the world," she said.

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Slow investment blamed for lack of W German jobs

BY DAVID MARSH IN BONN

SLUGGISH West German capital investment is heavily responsible for the country's unemployment total of more than 2m, according to the Institut der Deutschen Wirtschaft (IW), a research body close to the Confederation of West German Industry (BDI).

The report, published today, backs up the analysis of traditional Keynesian economists that a large "investment gap" has opened up in West Germany. It says additional investment of a real DM 240bn (£80bn) would be needed to eliminate what it sees as the present "deficit" of 1.5m jobs.

The institute says that increasing depreciation and only a slow rise in new investment has led to a rapid ageing of West Germany's capital stock.

Its conclusions are similar to those of the Organisation for Economic Co-operation and Development, which in July linked West Germany's excessively high current account surplus to inadequate capital spending and the ageing of factories and plant.

Gross new investment in 1985 was only 20 per cent of gross national product, compared with 26 per cent at the beginning of the 1970s. Subtracting expenditure geared simply to replacing elderly plant and equipment, net capital investment has been reduced to only 12.5 per cent of GNP, about 10 percentage points below levels up to the start of the 1970s.

Nearly half the capital stock in manufacturing and mining is now judged to be more than 11 years old, against one third in 1970.

This "investment gap" has reduced the potential growth of West German production to only 1.5 per cent a year, against 2.5 per cent between 1974 and 1980 and 4.5 per cent in the early 1970s.

The institute voices doubts whether, under these conditions, unemployment can be cut back significantly. Even with an annual rise in investment volume of 5 per cent from 1987 onwards, there would still be a lack of around 900,000 jobs in 1991, it says.

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Polish workers to defend their role in management

BY CHRISTOPHER BOBINSKI IN WARSAW

ACTIVISTS FROM Poland's independent industrial self-management councils are planning to set up a new society designed to defend their legal rights and push for greater decentralisation in the state-controlled sector.

The councils were established under laws enacted in 1981 and the 10 per cent which are active have played a crucial role at times in defending the autonomy of companies against an officialdom bent on recentralising decision-making.

The present initiative seems to have the backing of the reformist wing of the establishment which is keen to push ahead with changes and is seeking allies to counter the conservative opposition.

In past years the authorities have cracked down on attempts by workers' councils, which are elected in secret ballots and often contain Solidarity supporters, from co-ordinating policies on a regional or national scale.

The The move to set up the society comes as some councils in the electronics industry are resisting an attempt to monopolise the sector in a grouping called Elpol which would bring together more than 100 enterprises.

Already, councils at two companies producing electronic components in Warsaw, Cemi the Cemat, as well as two major television producers, Polkolor and WZT, have voted not to join. The Cemi council has also appealed to the courts against a government decision to change the company's status from an ordinary enterprise to the defence sector.

This change means significant cuts in the council's right to co-manage the enterprise and influence managerial appointments.

● Mr Franz Vranitzky, the Austrian Chancellor, arrived in Poland yesterday for a three-day visit in a sign that Warsaw's relations with the West are improving. The US Vice-President, Mr George Bush, arrives at the end of the week for a five-day stay.

Mr Vranitzky will be seeing Polish government officials and churchmen and he will be talking as well to prominent members of the banned Solidarity movement.

Since 1982 when General Wojciech Jaruzelski, the Polish leader, imposed martial law, Austria has always conducted a soft line policy towards Poland

This has meant that Austria's share of Poland's purchases abroad has increased from 2.5 per cent in 1981 to 3.3 per cent last year when, with sales to Poland worth $365m, Austria was outranked only by West Germany and Switzerland.

Polish exports last year came to $332m, giving the Austrian market a 2.7 share compared to 1.8 per cent of Poland's sales abroad in 1981.

Hungary sets debt ceiling

By Leslie Colitt

HUNGARY, which has Eastern Europe's highest per capita debt to the West, has stipulated that indebtedness should not rise higher than a net $10bn by 1990.

Mr Istvan Racz, of the Hungarian National Bank, said this target ceiling has been conveyed to the International Monetary Fund (IMF) which closely monitors Hungary's borrowing and economic prospects.

The external performance of the ailing Hungarian economy has improved in recent months with the deficit falling in both the balance of trade and payments. This year, however, Hungary needs $3bn to service its hard currency debt of $9.3bn net ($16bn gross). This will consume the major part of the country's expected $4.6bn in export earnings this year. Budapest will have to repay $3.4bn in interest and principle next year.

Western bankers estimate that Hungary may need up to $10bn in new loans over the next four years at less favourable terms than in the recent past. But the new Prime Minister, Mr Karoly Grosz, stressed last Friday that the Government was working to avoid a rescheduling of debts at all costs.

In the first eight months of this year Hungary's balance of trade was in deficit by $511m compared with $594m at the end of August 1986. The sharpest export surge took place in the past three months. Mr Racz noted that in this period the trade deficit was half that in the same month of 1986. The worst period was last January and February when extreme cold crippled much of Hungarian and East European industry.

Hungary's balance of payments deficit in the first eight months improved to $905m compared with a deficit of $1.05bn in the some period last year.

Mr Racz said a $250m to $300m trade deficit is now anticipated for this year after a shortfall of $401m in 1986. A balance of payments deficit of up to $950m is expected compared with last year's $1.4bn.

Mr Laszlo Antal, deputy director of the Finance Ministry's research institute, said recently the Government did not want Hungary's Western debt to rise higher than $12.5bn net by 1990. This figure was apparently based partly on a continued deterioration in the trade deficit. Mr Antal was responsible for a document last June which criticised the Government's economic policies and demanded sweeping economic and political reforms.

The Hungarian Parliament last Saturday adopted an unpopular bill introducing personal income tax for wage-earners and value added tax to take effect next January.

Leslie Colitt looks at Czechoslovakia's plans to give enterprises greater freedom

Prague has another try at economic reform

THIRTY years after the first abortive attempt to reform Czechoslovakia's planned economy and nearly 20 years after the ill-fated second in 1968, the Prague leadership is having another go.

Czechoslovakia's once thriving industrial sector has been left to stagnate to a point that can no longer be ignored. Even the official statistics recording economic growth of less than 2 per cent in the first half of this year reflect output bloated by unsold industrial stocks and undesirable high tonnage production.

The Government has had little success in restructuring industry or speeding up scientific and technological innovation.

Hard currency exports continued to fall in the first six months, reflecting deteriorating trade terms. Growing amounts of coal, oil products, bulk chemicals, lumber and other raw materials — making up nearly 60 per cent of exports to the West — are being unloaded on Western markets in place of competitive machinery and consumer goods.

Even Czechoslovakia's sales of industrial plant and equipment to the Soviet Union ran into trouble after Moscow scaled down its investments in line with its economic reforms.

Czechoslovak trade officials acknowledge that the balance of payments is likely to be in deficit this year for the first time since 1979. Prague's hard currency debt remains low at an estimated net $2.8bn only because Western technology, urgently needed to modernise industry, is not being imported.

Confronted with the rapid decline of industry, the Czechoslovak leadership under Mr Gustav Husak launched an experimental economic reform programme this year. Like the first two attempts it aims to give companies greater leeway to determine their own production while reducing the day-to-day operational controls of the ministries.

This year around 20 enterprises are being placed on a "self-financing" basis, using profits to supply investment needs rather than subsidies. A further 120 enterprises will later be included in the experiment, whicvh is to be widened to include the entire enocomy by the start of the next five-year plan in 1991.

This leaves the current five-year plan as a period of plugging holes and marking time.

The authorities stress that the reforms will not weaken central planning. Mr Jaromir Matejka, chief of the Government's economic reform committee, maintains that central planning is to become "more efficient" by using economic instruments instead of administrative ones to steer thet economy.

He denies that the party and government bureaucracy which has resisted reforms since 1969 might find it difficult to implement them. Personnel changes, he says, will be determined by the process of economic reconstruction and not the other way around.

Clearly Mr Mikhail Gorbachev's sweeping purge of Soviet bureaucracy will not be emulated in Prague as long as Mr Husak is in power. However, Mr Matejka insists that the state will not be permitted to "interfere" in the internal operations of companies. In the future, ministries will issue only "general regulations" which are valid for all companies.

A draft law on state enterprises—along the Soviet model—provides for the election of company managers from party-approved candidates. A tax reform being prepared for next January will see company profit taxes lowered from an average of 75 per cent to 50 per cent. The subsidising of loss-making firms with tax revenues from profitable ones is to be phased out. Producer wholesale prices are to be aligned with real costs in January 1989 and regularly adjusted thereafter. Retail prices however will not be directly affected.

Gustav Husak: cautious reformer

Economists at the prestigious Institute of Economic Forecasting in Prague call the leadership's approach to reforms "very cautious." Mr Karel Dyba and Mr Vladimir Dlouhy of the Institute say the official discussions are about the "legalities of reform" rather than the essentials such as the market, prices, wages and credit.

Compared with the "real fight over real reforms" in the Soviet Union the situation in Czechoslovakia is "rather calm," says Mr Dyba, who doubts whether the new law on state enterprises will solve the problems of a highly "monopolised" Czechoslovak economy. Only the market could do this.

The views of producers taking part in the experiment can only be obtained through their foreign trade organisations. Most of the companies in the experiment are highly dependent on foreign trade and, rather untypically, on trade with the West.

As an incentive the Government is permitting them to retain some of their hard currency earnings—10 per cent in the case of some producers—to buy Western machinery and supplies. Centrally-imposed targets have been virtually eliminated, except for earnings, while their taxes are to be cut by a third. Managers are also to have a greater say in determining wage levels.

More will undoubtedly be needed before Czechoslovak managers start innovating and improving the quality of their products. Encouraging them to take risks and to assume the financial consequences, however, is not part of the plan.

On the contrary, the authorities appear determined to keep the reform experiment under tight control.

Bosnian party officials in Agrokomerc admission

BY JUDY DEMPSEY IN VIENNA

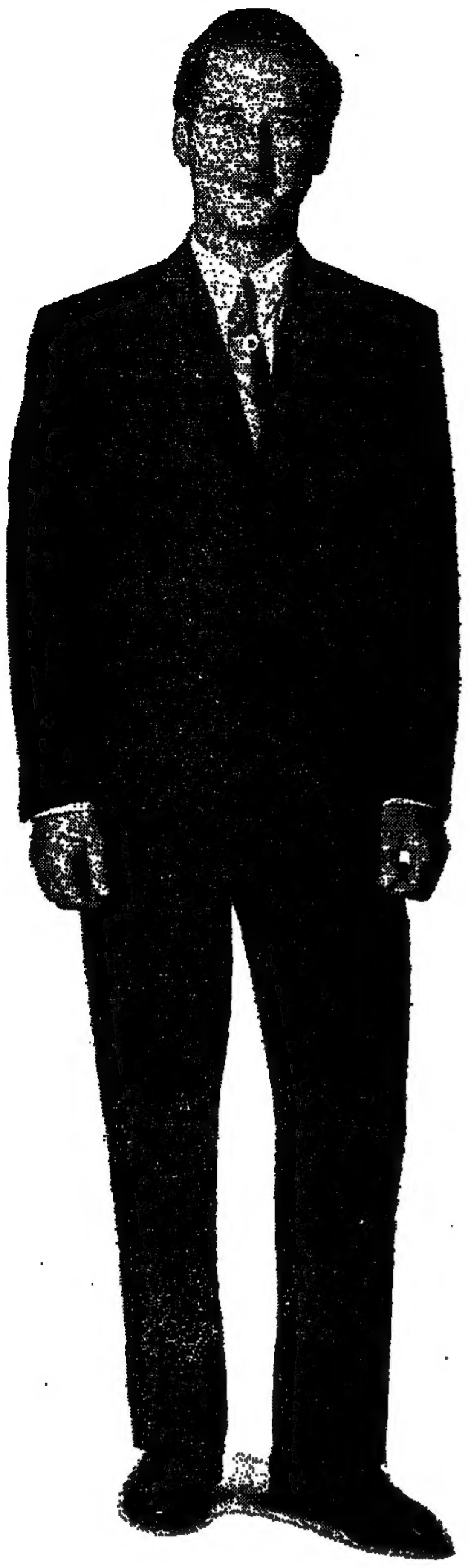
THE COMMUNIST PARTY branch in the republic of Bosnia has admitted that it knew about the irregularities in the giant agro-industrial concern Agrokomerc, which issued more that $850m worth of uncovered promissory notes. However, it is refusing to take responsibility for what is Yugoslavia's biggest financial scandal since the war.

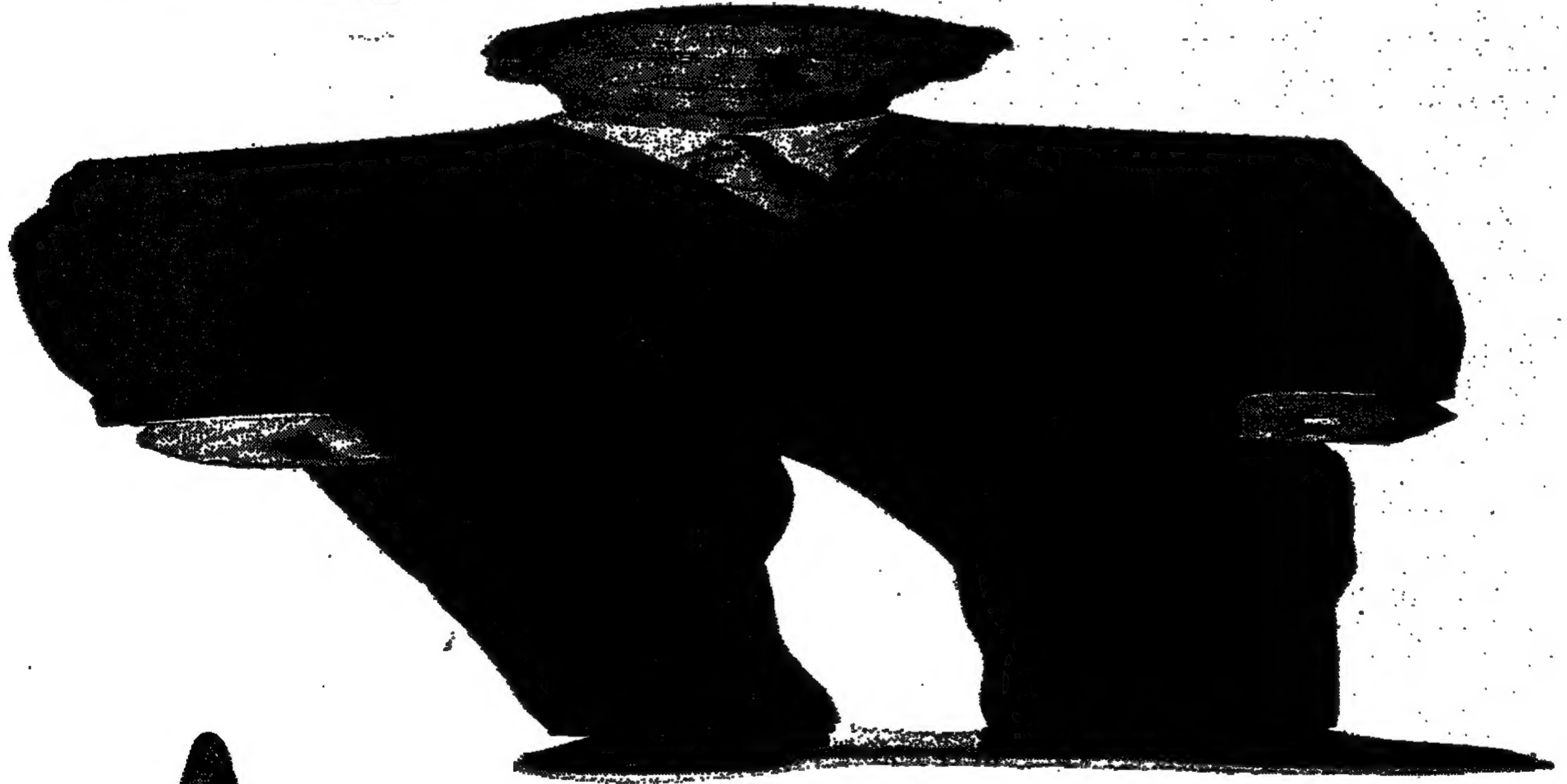
During a heated debate at the weekend, the party organisation acknowledged that it had been aware of the irregularities in Agrokomerc well before the details became public. It rejected calls that the party's central committee should resign.

This latest round of often acrimonious debates and investigations into the affair suggests that resignations by the country's vice president, Mr Hamdiga Pozderac, last week followed by that of the chairman of the Ljubljana Bank in Slovenia, Mr Metod Rotar, will by no means stem the criticism.

The Yugoslav press are now openly asking why, if the party knew about the illegal activities of Agrokomerc, did it not intervene at an earlier date. The press is pointing the finger at a cover-up by the party in Bosnia, the management of Agrokomerc, the banks and the Social Accountancy Services, a body which is supposed to monitor and investigate the activities of enterprises.

Late last week, the deputy general director of the Social Accountancy Services in Bosnia, Mr Jozo Sovic resigned. More worrying for senior party officials, during a parliamentary commission in Belgrade, a deputy, Mr Daniel Pucko, accused the Government of being unable to govern. The information concerning Agrokomerc's activities had been known as early as January, said Mr Pucko, but the federal Government did nothing.





Korea's Kims move closer on party candidate

BY MAGGIE FORD IN SEOUL

SOUTH KOREA'S two opposition leaders yesterday moved closer to agreement on who should stand for the presidency, and at the same time the country's new constitution was approvel by the Cabinet.

Mr Kim Dae Jung and Mr Kim Young Sam, agreed to decide on the presidential election candidate later this month. Dissent within their party has created concern that the move towards democracy established by public demonstrations in June could degenerate into factional infighting.

The agreement follows a pledge at the weekend by Mr Kim Young Sam, president of the main opposition Reunification Democratic Party that the presidency of the party and the country need not be held by the same person.

This change in policy may open the way for Mr Kim Dae Jung, who joined the party only recently after years of imprisonment and house arrest, to take an important role in South Korean politics that many feel he should, without becoming the president. Although Mr Kim has substantial support among working class Koreans and in some regions, many believe that to elect him president would be risky, in the light of the apparent distaste of the military for his candidacy.

Mr Kim has been criticised for his recent flamboyant visits to the provinces to gauge support, on the grounds that they could stir divisions which would lead to a military crackdown.

But observers pointed out that until the weekend announcement by his opposition colleague, Mr Kim risked having no official position from which to fight for his beliefs, and indeed his supporters after the December presidential election, should he fail to win.

● Three senior police officers charged with covering up the investigation into the death by torture of a student earlier this year were yesterday given suspended sentences for their crimes and released.

The death of the student is generally regarded as the spark which ignited the June demonstrations leading to government agreement over democratic change.

Sudan talks resume in Nairobi

SUDANESE rebels resumed talks with politicians from southern Sudan in Nairobi yesterday in what the rebels said was a bid to show the resolve of regional governments to settle the country's four-year-old civil war, Reuter reports from Nairobi.

The rebel Sudan People's Liberation Movement (SPLM) and six political parties from the south have held similar discussions over the past month in Addis Ababa and Kampala to draft a common position on Sudan's future.

The discussions have sought in particular to settle the relationship between Sudan's Moslem Arab north and the African south.

A SPLM spokesman said the participants wanted the Ethiopian, Ugandan and Kenyan governments to act as witnesses to the talks, which have reached broad agreement on how to revive direct negotiations between Khartoum and the SPLM.

The rebels and the southern politicians have endorsed the Koka Dam declaration of March 1986, which suggested Khartoum pave the way for a constitutional conference by abolishing Islamic law, ending a state of emergency and abrogating defence agreements with Egypt and Libya.

Mr Sadeq al-Mahdi, Sudan's Prime Minister whose Umma Party signed the declaration, has yet to fulfil these conditions.

Ethiopia braces for new famine as Red Cross fears aid fatigue

AS ETHIOPIA braces for a new food crisis, only three years after a famine that shocked the world, relief workers fear donors may react with "aid fatigue," Reuter reports from Mekele.

"We want to pre-empt a situation where the world needs to see hungry faces, starving children" on television screens, says Brother Caesar Bullo who heads the Catholic secretariat in Mekele, the capital of Tigray province in northern Ethiopia.

But he and others worry that outsiders will not sit up and take enough notice until things get that bad.

"We're afraid of what's called donor fatigue," echoes Mr Jean-Jaques Fresard, who heads the International Committee of the Red Cross (ICRC) team in Ethiopia.

The state-run Relief and Rehabilitation Commission (RRC) this month appealed for 950,000 tonnes of food aid for the coming year because drought has ravaged crops.

A shortage of this size, say relief workers, some of whom think the RRC estimate may prove conservative, threatens the livelihood of five to seven million people, in a nation of 46 million.

RRC commissioner Mr Berhanu Jembere said last week that officials were carrying out further crop inspection and that "at the end of September when this team comes back, we will be in a position to either ask for additional supplies or remain at the same figure."

Relief workers say the public abroad, on whom non-government aid agencies rely for funds, may not understand why Ethiopia needs help again so soon.

Non-government aid agencies may have to scratch harder for money this year because countries like India, also facing problems, are expected to compete for available funds.

The head of the U.N. Development Programme (UNDP), Mr Michael Priestley, is travelling abroad to brief established and potential donors on Ethiopia's needs.

Because the distress call has gone out much earlier than in 1984, "it's going to be more up to the government donors this time," said one relief worker.

"Presumably there won't be Band Aid, Live Aid and the We are the World sort of thing... If it gets to that stage we'll have failed," he added.

The United States has already pledged 115,000 tonnes to start with, and the European Community had earmarked 60,000 tonnes. Austria had promised help and others were studying what they could do, relief workers said.

The United States, Canada and the EC contributed about 80 per cent of the emergency food aid sent to Ethiopia in 1984 and 1985.

As in the last famine, the heavily populated Tigray and neighbouring Eritrea provinces in the north appear to be the worst hit by drought this year.

Tigray stands to lose 70 per cent of its grain crop, says a local RRC official, while diplomats in Addis Ababa say Eritrea could end up with no crop at all from the December harvest.

Both are the scene of armed insurgencies which create big problems in distributing emergency aid.

But, Brother Bullo and Mr Fresard, whose organisations, along with the RRC, are among the most active in the area, say they are better prepared to deal with the looming crisis than in 1984.

"If the food comes, I think we can prevent another famine," says Brother Bullo.

Mr Jembere of the RRC said the commission has taken steps to get distribution running smoothly at ports, warehouses and motorpools. "At least two to three months' stock is already in the area where it will be needed," he said.

The authorities would take all measures to move food, by convoy if needed, to areas like Tigray. Residents there say rebels roam the countryside and only the towns and areas close to them are controlled by government troops.

Currently, convoys of up to 300 vehicles supply Mekele about every three weeks, they said.

Brother Bullo said relief workers should be able to move most food aid by road, but the ICRC is prepared to mount airlifts

Unita rebels 'kill 300 in battle'

ANGOLAN Unita rebels said yesterday that they had killed more than 300 government and Cuban troops during a weekend battle for a rebel stronghold in southern Angola, Reuter reports from Lisbon.

A statement by Unita, the National Union for the Total Independence of Angola, distributed in Lisbon, said 27 members of its forces were killed and 116 wounded in the fighting on Saturday and Sunday.

The Marxist Government in Luanda is waging a campaign to drive the rebels out of their stronghold at Mavinga in the southern Cuando Cubango province.

"The battle for Mavinga...has seen an extreme intensity in the last 48 hours," the statement said.

"Government forces could not evacuate the wounded by helicopter for fear of being shot down by our anti-aircraft missiles," it added.

Unita said on Saturday that it killed 100 troops and shot down two helicopters as government soldiers, backed by Cuban troops and Soviet advisers tried to advance into the area.

Unita, supported by South Africa and the US, has fought the Government since shortly after independence from Portugal in 1975.

Philippine military shuffle

PRESIDENT Corazon Aquino shuffled military commands yesterday as some 10,000 people protested against alleged militarism and the killing of a leftist leader, AP reports from Manila.

In Cebu City, 350 miles to the south, the New Patriotic Alliance, known by its Tagalog-language acronym Bayan, announced an "open break" with Mrs Aquino after Saturday's unsolved killing of its national secretary-general, Mr Lean Alejandro.

Elsewhere, the military said Communist rebels had blasted a railway bridge, raided a police station and robbed a train in separate attacks on Sunday near the town of Del Gallego, 120 miles south east of Manila. Eight people were reported killed in the raids.

Mrs Aquino conferred yesterday with Mr Rafael Ileto, the Defence Secretary, Gen Fidel Ramos, the Chief of Staff and the chiefs of the major armed services over restoring order in the wake of an August 28 coup attempt and Cabinet resignations that followed.

Later, Gen Ramos announced that Brig Gen Ramon Montano, deputy chief of staff for operations, was named commanding general of the National Capital Regional Defense Command, an umbrella organisation to coordinate defence of Manila and its suburbs.

Hong Kong economy set for double-digit growth

BY DAVID DODWELL IN HONG KONG

HONG KONG's economy is headed for double-digit growth this year—after growth of 11 per cent last year—according to Mr Piers Jacobs, the teritory's Financial Secretary, in his half-yearly review of the economy.

Mr Jacobs forecasts growth, as measured by gross domestic product, of 12 per cent in real terms—almost double the 6.7 per cent he forecast at the time of his 1987 spring budget.

The upward revision comes as exports continue to boom, in apparent defiance of supply constraints that government economists thought would begin to put brakes on growth earlier this year. Mr Jacobs now forecasts domestic exports for the year of HK$194bn (£15.2bn), up 20 per cent in real terms from 1986, with re-exports up by 37 per cent to HK$170bn. This compares with earlier predictions that domestic exports and re-exports would grow by 7 per cent and 13 per cent respectively.

With imports growing at about 28 per cent in real terms to HK$371bn, he expects a visible trade deficit of about HK$7bn. This is likely to be compensated for by an invisibles surplus of about HK$17bn.

"The local economy has displayed more flexibility and resilience than was expected at a time when production was already running up against capacity," Mr Jacob said.

The price of such hectic economic growth has been rising inflation, and labour shortages. Consumer prices are expected to rise by about 6 per cent for the year as a whole, while labour shortages have led to a 12 per cent increase in wages in the manufacturing sector between March 1986 and March this year, he said.

Resisting manufacturers' demands for importing workers to ease the labour supply squeeze, Mr Jacobs said: "We do not believe (local workers) should be denied the opportunity of reaping the benefit of the good times through increases in wages."

Mr Jacobs also snubbed pressures to review the currency stabilisation policy under which the Hong Kong dollar is linked to the US dollar at a rate of HK$7.80 to one US dollar.

UK details Africa aid

BY MICHAEL HOLMAN, AFRICA EDITOR

THE BRITISH Government has fired an opening salvo in the issue likely to dominate next month's Commonwealth conference in Vancouver: the need for increased technical and military aid to African states seeking to reduce trade and transport ties with South Africa.

A 12-page booklet published by the Foreign Office gives details of aid worth £819m to the members of the Southern African Development Co-ordination Conference since the nine-member body was formed in 1980. In a statement accompanying the booklet the Foreign Office says that Britain has "a good story to tell but that story seems too often to be overlooked or disparaged."

The statement continues: "Opposition to sanctions does not imply acceptance of apartheid . . . we are trying, in a positive and practical way, to help promote the peaceful and prosperous development of states in the region, and reduce their economic dependence on South Africa."

Neither the statement nor the booklet makes any reference to the Commonwealth meeting but the theme of aid to southern African states has been discussed extensively at pre-summit meetings of High Commissioners and the Commonwealth secretariat.

Kuwait fund moves reserves abroad

BY ANDREW WHITLEY IN KUWAIT

A LEADING Kuwaiti financial institution, the Public Institution for Social Security, says it has moved half of its $3.5bn reserves abroad overthe past two years, in a bid to strengthen its financial base for the future.

Following what Mr Fahad al-Rajaan, its director-general, called a conservative strategy, its funds have been placed in a broad range of assets, from equities to securities, in the West and Japan. It has also participated in recent privatisation share offerings in the UK.

The 10-year-old institution, Kuwait's third largest foreign investor after the Finance Ministry and the Kuwait Petroleum Corporation, reported earnings of KD 91m (£196m) on its investments in its financial year to June 30 1987.

The vast bulk of Kuwait's public sector investments were already out of the country, mostly in the US. Foreign estimates of the US holdings alone range between a conservative $50bn and $80bn. But, because of its need to make payments in dinars, the Institution had until recently been the exception.

Mr Rajaan said an important consideration in deciding to make the move was that in 10 years' time pressure from Kuwait's large younger generation on the social security fund's resources would be much greater than at present. This put pressure on the fund to secure a better return than was locally available.

Kuwait has perhaps the most generous pension scheme anywhere in the world. After 30 years employment members are entitled to their full final salary—after deducting the employee's 5 per cent contribution.

While men can retire on 75 per cent of their salary after 20 years employment, married women will receive 65 per cent after only 15 years in work. In practice, many public sector employees can thus leave the Government at the age of 40 and start a second career.

So far, the Institution has always shown a large surplus. In the current 1987-88 financial year it projects revenues of approximately KD 400m and expects to pay out roughly half that amount in pensions, death and disability benefits to approximately 50,000 recipients—all of them Kuwaiti citizens.

Kuwait has no unemployment benefits, though Mr Rajaan forecast the need for such a scheme in the future. And the social security system is restricted to the 750,000 Kuwaiti nationals, who make up about 45 per cent of the total population.

Consideration is currently being given to providing certain benefits to long-term foreign residents, many of them stateless Palestinians who form the backbone of the administration.

US Department raises prospect of debt forgiveness

BY NANCY DUNNE IN WASHINGTON

THE NEGATIVE effects of the international debt crisis on trade and development are greater than would be the costs of forgiving part of Third World debt, according to a US Agriculture Department report.

The US administration insists that debt foregiveness is not a viable option. The report was released by the Department without the direct approval of Mr Richard Lyng, US Agriculture Secretary, his spokeswoman said.

The report — called The World Debt Crisis and Resolution — has been released as bankers and government officials prepare for the annual meeting in Washington of the International Monetary Fund and the World Bank.

However, Mr David Stallings, one of the two economists who wrote it, said it had received "Departmental review" and approval of both its findings and the supporting evidence.

The report implicitly criticises the case-by-case rescheduling by which the debt crisis has been managed and finds a "serious misalignment between payment commitments and the ability of countries to service their debts." It says that debt rescheduling has only "superficially improved the structure of the debt, but not its burden." The total amount rescheduled has climbed from $55bn in 1981-83 to no more than $93bn in 1985, an indication that "debt repayment is still very much a problem."

Like several recent reports, the new finding links the debt crisis with the US trade deficit and stagnating world growth. It suggests "dramatically different solutions for overcoming the debt crisis (such as forgiving some portion of the debt incurred by the most severely indebted countries) will help place developed countries on a renewed growth path and may well be considered."

World Bank president defends reorganisation

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

MR BARBER CONABLE, president of the World Bank, has defended his controversial reorganisation of the institution, saying it was not designed to diminish the bank but was a response to the "need for change to accomplish efficiency and responsiveness."

In an outspoken interview with the magazine International Economy, he also makes plain that the need for a reorganisation stems from the failures of the past. "It is my reorganisation," Mr Conable says, but adds in a reference to votes by France, Japan and the US to disapprove the bank's budget two days before he took office, "it was triggered by the budget mess, a ringing vote of no-confidence that faced me when I arrived."

The bank's reorganisation has been widely attacked as ineptly implemented and damaging to morale, at least in the short term, not least because of the departure of some key personnel, including Mr Eugene Rotberg, the treasurer.

Consumer spending in US up 1.5%

By Lionel Barber in Washington

AMERICANS ARE still on a spending spree, according to the latest government figures on personal income and spending. The Commerce Department said yesterday that consumer spending rose 1.5 per cent in August, the biggest gain in six months. Personal income rose a healthy 0.5 per cent.

Much of the surge came from higher car and truck sales, boosted by incentive offers from dealers in their effort to cut the backlog of unsold cars.

The consumer spending spree, while keeping a sluggish US economy moving, is one reason why the record US trade deficit is proving so difficult to turn round. Americans are still buying Toyota cars, Gucci shoes and other foreign imports and failing to invest their money in savings, the latest figures show.

The purchase of durable goods, including cars, rose at an annual rate of $29.8bn in August compared to a $2.1bn rate in July. Non-durable goods were little changed, showing a $3.3bn increase (July: $3.3bn).

The growth in spending, easily outpacing the growth in income, meant that Americans dipped into their savings to make up the difference. The ratio of savings to after-tax incomes, fell to 1.8 per cent, down from 2.9 per cent in July and the lowest it has been since April when it was 1.1 per cent.

Disposable personal income —the amount of income left after taxes—grew by 0.3 per cent in August after rising 0.4 per cent the previous month.

Roderick Oram reports on a problem that city politicians are slow to tackle

Private efforts increase help to NY homeless

DURING HOT and humid summer months, New York's homeless people tend to fade from view among crowds of people temporarily foresaking air conditioned homes and offies for the pleasure of sidewalk cafes and outdoor entertainment.

Their plight recently made an unseasonal intrusion, however, when Mayor Ed Koch won a long bitter battle to build 11 new shelters for them. His victory came in one of the most dramatic and city politicians had experienced in years.

Borough presidents agreed on the problem but most were fiercely opposed to solutions too close to home. "Here comes a shelter; there goes the neighbourhood" was the sentiment running not-so-deep beneath most arguments. Other boroughs were furious with Mr Rhalph Lamberti, president of Staten Island, for making a side deal with the mayor. His constitutents will get a new city jail but no shelters.

If politicians and governments feel the need for lessons in banging heads together, they might try Nancy and Alexander Abraham and Leonard Stern. Distressed by bureaucratic delay, the three New Yorkers have taken their own initiative to open shelters.

Mr Stern, chairman, of Hartz Mountain, a real estate, pet food and publishing group, set up Homes for the Homeless two years ago. The non-profit organisation has bought so far three buildings with loans guaranteed by Hartz. Together, they house 420 families, or about 1,500 people.

Whereas Mayor Koch took a year to get permission for his shelters, Ms Abraham, a senior vice-president of Shearson Lehman Brothers, the Wall Street securities firm, took two weeks for the one she and her father have just set up.

Simply, she would not take no for an answer from five city and two state agencies. "The truth was it took incredible tenacity," she said. "I'd call the same person eight times a day." Ms Abraham said street people "always fascinated me" as she grew up in New York. "They made me cry. No one paid any attention to them." After law school she was a full-time political worker for a liberal Democrat city councilman. He was one of the first to fight for the homeless but he died of a brain tumour, aged 39, the day Ronald Reagan was elected President.

Since then the problems have escalated dramatically as rocketing real estate prices and rampant high-rise apartment developments have wiped large chunks of cheap housing off the city's map. Each night some 18,400 parents and children and 9,000 single people are housed at the city's expense. Home for them means crowded rooms in 63 privately-owned welfare hotels, many of which are badly run down. Luckier ones are housed in five city-owned shelters and 20 run by non-profit organisations.

No one has attempted to count the people left on the streets. Some activists say they match the number in shelters. The city government believes there are far fewer.

> "Here comes a shelter; there goes the neighbourhood" was the sentiment running not so deeply beneath most arguments

The Abrahams' efforts started late last autumn when Nancy, 39, took her father to look at one of the welfare hotels. "I think it was one of the most shocking things he ever saw personally," she said. It was not just the appalling conditions, but also the hopelessness and despondency of the residents which affected them.

"We wanted to show there could be a viable alternative to welfare hotels." The Abrahams' idea was to find, help finance and set up a shelter with the help of an existing organisation. "I didn't have the wherewithal to run a hostel—I'm a working, single parent." They contacted Women in Need, formed in 1982, which runs three other shelters for homeless women and children. Ms Abraham gave full credit to Ms Rita Zimmer, its founder, for her leading role in setting up the project. The Abrahams saw dozens of buildings before chosing one in midtown. Typical of New York's stark contrasts, it is in a tough neighbourhood only a few blocks' walk across town from Ms Abraham's Madison Avenue offices.

The rooming house cost almost $2m to buy and fit out for just over 30 single parent families, all mothers and their children. The Abrahams gave $100,000 and lent $400,000 from their small family trust, got an 80 per cent mortgage from Bowery Savings Bank and topped up the rest from foundations.

Many people such as lawyers and decorators donated their services as Women in Need and Ms Abraham sped relentlessly to their goal. Conran's, the local arm of the British-based home furnishing group, drove one of the harder bargains. "I don't consider 15 per cent off much of anything," Ms Abraham said. "If you went in there and spent $30,000, they'd give you 15 per cent off." The shelter opened in May, barely five months after the building was chosen. It offers services such as job and psychological counselling, child day-care and two free meals a day which are all unheard of in welfare hotels.

Yet the shelter is covering its running and capital costs on the $75 per day per family which the city pays. Some welfare hotels are costing the city up to $100 a day. In 10 years time when the mortgage is paid off and the Araham's loan repaid the shelter will be owned outright by Women in Need.

Ms Abraham is glad she has got plenty of publicity for her efforts, hoping he example will encourage others to try. But she admits to being "very disappointed" with the response so far.

Nicaraguan opposition newspaper allowed to re-open

THE NICARAGUAN Government has made its most striking move yet to comply with the latest peace plan for Central America by allowing the opposition newspaper La Prensa to reopen without censorship, the paper's publisher said, Pete Ford reports from Managua.

Mrs Violeta de Chamorro quoted a written agreement that "the Nicaraguan Government authorises the reopening of La Prensa from today with no restrictions beyond those imposed by the responsible exercise of journalism."

Leaders of the Sandinista government had insisted they would allow the conservative opposition paper to reopen before the peace plan's deadline of November 7. The pact requires them to ensure full democratic freedom, including liberty of the press.

The joint statement Mrs Chamorro said she agreed with Mr Jaime Wheelock, a senior government official, thanked the minister, Mr Rodrigo Madrigal, for "his valuable efforts that made the understanding possible."

La Prensa's board of directors "make plain their will to contribute to the climate of peace and understanding that the country requires to advance in the process of dialogue and national reconciliation," Mrs Chamorro said. This was seen as an indication that the daily, stridently anti-Sandinista until its closure in June 1986, will be more circumspect

Opposition politicians, sceptical about the Sandinistas' intentions, have suggested that the government will find ways to harass La Prensa, such as denying it foreign exchange to import materials. For the moment, however, Mrs Chamorro is unbothered. "I believe this statement we wrote is (the Sandinistas') word of honour. We have liberty," she said.

Reuter reports New York: The White House was sceptical yesterday about the Nicaraguan government's action. An official told reporters it remained to be seen whether La Prensa would be a free opposition paper.

Argentina wants IMF waiver

BY TIM COONE IN BUENOS AIRES

ARGENTINA is shortly expected to ask for a "waiver" from the International Monetary Fund on conditions agreed last July for the disbursal of a second tranche of a $1.42bn standby loan.

The first tranche of $370m was made in August, and a second of $210 is due during October. The standby loan was first agreed last February but was conditioned upon support from the commercial banks. Its terms had then to be re-negotiated by the middle of the year because of difficulties encountered by the Government in meeting the macro-economic targets.

Bimonthly targets were then agreed in July but they also have proved impossible to meet, especially the aim of reducing the fiscal deficit to 4 per cent of GDP by the end of the year.

Mr Mario Brodersohn, the Finance Minister, warned earlier this month that Argentina would have difficulty meeting the targets, and recently published figures on government tax income during August showed a 10 per cent fall in real terms compared with August 1986. Inflation now running at 14 per cent per month and an explosion of wage demands in the public sector have put further pressure on Argentina's public finances.

Although no official statement has been made that such a waiver is to be requested, it is has become an open secret in Buenos Aires that it will be necessary. The sharp criticisms of the Fund made by President Raul Alfonsin over the past two weeks confirm that the Government is moving in that direction.

Most senior officials at the Economy Ministry are due to leave this week for Washington and New York, to participate in the Fund's annual general meeting and to reopen negotiations on the payment of Argentina's $54bn debt with the specific aim of freezing interest rates.

One of the officials lamented to the FT recently that the foreign debt negotiations were taking up a disproportionate amount of senior Economic Ministry officials' time, and that the bimonthly targets agreed to with the IMF during July, made the workload even greater causing them to neglect other important areas of their work.

President Alfonsin spent the weekend discussing economic policy and the foreign debt negotiations with his new Cabinet. A presidential spokesman said later that "we are going to put all our efforts into reducing and eliminating inflation."

A series of new measures to reduce the fiscal deficit are expected to be announced during this week, including sharp increases in public service charges, greater taxation pressure on personal incomes, and an acceleration of deregulation and privatisation plans in the public sector.

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Flooring
Available From: All Regional companies; Fitchett & Woollacott; All Malden Timber Centres.

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Available From: All Regional companies; many Malden Timber Centres.

Afrormosia
Uses: Furniture, Joinery, Boatbuilding, Flooring.
Available From: Fitchett & Woollacott; Edward Hughes; Mallinson-Denny (Northern); Mallinson Turner Hunter; Mallinsons, Dublin; Parker Kislingbury; George Hopton.

Medium Density Fibreboard
Uses: Furniture manufacture, Veneering.
Available From: All Regional companies; many Malden Timber Centres.

Preservative Treated Windows
Uses: New buildings and refurbishment.
Available From: All Malden Timber Centres; R.A. Thomas Joinery.

American Oak
Uses: Furniture, Joinery, Flooring, Shopfitting.
Available From: Fitchett & Woollacott; Edward Hughes; Mallinson-Denny (Northern); Mallinson Turner Hunter; Mallinsons, Dublin; Parker Kislingbury; George Hopton.

Parana Pine
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Available From: All Regional companies; many Malden Timber Centres; Fitchett & Woollacott; Mallinson-Denny (Northern).

Machine Stress Graded Timber
Uses: Construction industries.
Available From: All Malden Timber Centres and Regional Companies.

Teak
Uses: Furniture (Garden and Domestic), Boatbuilding, Joinery.
Available From: Mallinson Turner Hunter; Fitchett & Woollacott; Mallinson-Denny (Northern).

Glulam
Uses: Unsupported roof structures (schools, halls, swimming pools).
Available From: Mallinson-Denny (Northern), Grangemouth; Mallinson-Denny (Southern), Gravesend.

Douglas Fir
Uses: Joists, Light Framing, Joinery.
Available From: All Malden Timber Centres and Regional companies; Fitchett & Wollacott; Parker Kislingbury; Mallinsons, Dublin.

Western Red Cedar
Uses: Shingles.
Available From: Mallinson-Denny (Southern); Mallinson-Denny (Northern).
Uses: Manufacture of conservatories, greenhouses, garages.
Available From: Parker Kislingbury; Fitchett & Woollacott; Mallinson-Denny (Northern); Mallinsons, Dublin.

Wenge
Uses: Joinery, Furniture, Flooring, Shopfitting.
Available From: Mallinson Turner Hunter.

Trussed Rafters
Uses: Roofing.
Available From: Edward Hughes, Blyth; Mallinson-Denny (Timber); Ulster Timber Company.

Padauk
Uses: Joinery, Turnery, Shopfitting.
Available From: Mallinson Turner Hunter.

EC launches study on phone data barriers

By David Thomas

THE EUROPEAN Commission has launched a study of how to break down cross-border barriers in data sent by businesses over telephone lines.

Known as value added services, the services under study include electronic mail, the electronic interchange of business data and documents, electronic funds transfer and some bureau operations.

Large private companies, such as IBM, Electronic Data Systems and ICL, as well as most telecommunications authorities, are interested in the European value added services market, which they expect to grow rapidly over the next few years.

Development

However, some observers believe that the development of these services is being hindered in some European countries by regulatory restrictions and high charges for leased telephone lines.

In June, the European Commission published a green paper on telecommunications which recommended a complete liberalisation of value added services in Europe.

It has asked Scicon, the software and consultancy subsidiary of British Petroleum, to produce a report by the end of October on the factors preventing the emergence of a pan-European value added services market.

Main areas

Mr Steve Carter, in charge of the project for Scicon, said the study was concentrating on three main areas: technical standards; the tariff principles adopted by the different European telecommunications authorities; and conditions placed by authorities on the use of leased lines, for instance the prohibition of multi-party private networks.

Mr Carter said that in some countries the problem seemed to be the simple inability of the authorities to make leased lines available within a reasonable timescale.

He added that the problems differed in degree in each European country. Scicon's report would therefore probably make recommendations on all the factors studied.

Michael Donne looks at why a US manufacturer has delayed the launch of a proposed 150-seater airliner

Boeing plays a waiting game with its 'prop-fan' 7J7

BOEING, the world's biggest builder of jet airliners, is pursuing its campaign to win support among the world's airlines for its proposed 7J7 twin-engined 150-seat advanced technology "prop-fan" aircraft, in spite of delaying its launch-date for at least a year.

The company had hoped to win enough customers to launch the airliner late this year for service from 1992.

Boeing has already spent more than $100m and several years in developing the 7J7 concept and stresses that the delay is solely because of market attitudes. It has nothing to do with either the advanced prop-fan engines the aircraft will use, or other areas of advanced technology, it says.

Boeing's view is that it can afford to wait, aware that the lack of orders indicates only that the aircraft is ahead of its time.

While many airlines share Boeing's view about the long-term future of the 7J7 concept, much of the immediate market for 150-seater airliners has been captured by the rival narrow-bodied A-320 Airbus, due to enter service next year.

The A-320 is an advanced technology airliner, although not as advanced as Boeing claims the 7J7 will be, and has won commitments for 439 aircraft, 277 firm and 162 on option.

At the same time, many airlines are also still buying substantial numbers of Boeing 737s and McDonnell Douglas MD-80 series airliners, which although smaller than the A-320, meet most of their immediate needs for efficient short-to-medium range airliners.

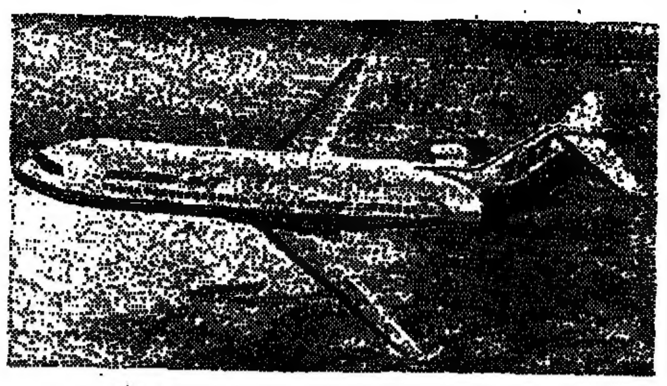
Those airlines need more time to study the 7J7 before committing themselves.

First, they want to be convinced that Boeing has got the size right. Should the 7J7 really be another 150-seater, or will the market by the early 1990s want a larger aircraft, perhaps a 170-plus seater, to meet traffic growth?

It is possible that in the light of market trends Boeing will have to push the 7J7 up to around 170-180 seats, recognising that to do so would bring it up against the "soft underbelly" of the Boeing 757, which seats around 186. This might well damage 757 sales.

There are also questions over cabin width. Boeing is anxious to promote the 7J7 as a "semi-wide-bodied" airliner, both to benefit from frequently-expressed passenger preferences and to offer an improvement in comfort over the narrow-bodied Airbus A-320.

Many airlines still do not have clear views on this question and Boeing must convince them before it can commit the 7J7 to production.



The Boeing 7J7: delayed for marketing reasons.

> **Boeing has already spent more than $100m in developing the 7J7 concept and stresses that any delay is solely because of market attitudes, and has nothing to do with the advanced prop-fan engines or other areas of advanced technology**

But the trump card in Boeing's hand seems likely to be the fuel economy of the revolutionary General Electric GE-36 prop-fan engines. They promise a reduction in fuel consumption of 40 per cent or more compared with current-generation turbo-fan jet engines and even big improvements over the latest turbo-fans, such as the Snecma-GE CFM-56-5 and International Aero Engines' V-2500, to be used on the Airbus A-320.

Although GE has conducted a flight-test programme on the GE-36 and says it is happy with progress, the airlines want to see more work done on the prop-fan engine concept, supported by a production commitment from GE on that power-plant. Although still reluctant to take the plunge into the prop-fan era, the airlines are closely watching the concept's progress and its application to the 7J7.

If GE can substantiate its claims for its engine, it is only a question of time before the airlines are obliged to look more seriously at the 7J7 as aviation fuel prices move upwards.

With other advances in technology—including the use of new materials and better design to improve airflows over wings and fuselage—which improve fuel economy, the 7J7 could see a rise in demand by the early-to-mid 1990s.

Meanwhile, Boeing continues its extensive studies, refining its design down to the last rivet, stitching into place the pattern of industrial partners in Japan and Western Europe and canvassing the world's big airlines for customers, with a formal launch next year still in mind.

Building the 7J7 could cost Boeing as much as $2bn and the company cannot afford a mistake, especially at a time when it is already spending heavily on derivatives of other airliners, such as the Jumbo 747-400 and the new 737-500.

So it prefers to take its time to make sure its next venture in the short-to-medium range field is right before committing such a vast sum. Meanwhile Boeing is selling its short-to-medium range 737s and 757s steadily.

However, it cannot afford to be complacent. It allowed Airbus Industrie to capture the lead in the 150-seater market with the A-320, which it could have prevented with new versions of the 757, or even a bigger version of the 737.

It does not intend to let that happen again and is determined to be ready with its 7J7 design whenever the market decides it wants such an aircraft.

It only needs one or two big airlines to take the plunge — say, one in the US and one in Western Europe — for many others to feel obliged to follow.

Japanese to boost investment abroad

By Stefan Wagstyl in Tokyo

JAPANESE companies are expected to continue to increase their direct investment abroad in the next few years, especially in the US, South Korea and Taiwan, according to a report from a leading Japanese bank. The Long-Term Credit Bank of Japan says in a survey published this month that Japanese manufacturing companies in particular will continue to set up production plants overseas, often to avoid trade friction with the US and Western European countries. Car makers and manufacturers of general and electrical machinery are particularly aware of the need to maintain good trade relations, says the bank which surveyed 737 companies.

Some 42 per cent of the groups polled by the bank said they planned to set up a foothold overseas in the next few years—against 39 per cent in a previous survey in 1986. The number of companies saying that domestic investment would decline as a result jumped from 6.7 per cent to 17.4 per cent. The importance of overseas investment to medium-sized and small Japanese companies is highlighted in another report, published last month by the Japan External Trade Organisation (JETRO). JETRO says 43 per cent of the $12.2bn total direct foreign investment in 1985 was carried by small and medium-sized groups. The report, Current Management Situation of Japanese Manufacturing Enterprises in Europe, says the main reason given by these companies for investing in Europe and North America was reaching the markets in those regions. This was closely followed by a wish to improve the gathering of information overseas. By contrast, investment in Asia was primarily motivated by the search for cheap labour, says the report.

JAL may buy R-R engines for new Boeings

BY IAN RODGER IN TOKYO

JAPAN AIR Lines will today order five Boeing 747-400 long range aircraft for about $600m and, for the first time it is considering buying Rolls-Royce engines for them.

The company, Japan's leading overseas airline, said yesterday it had not yet decided on the engines. It has fitted Pratt and Whitney engines exclusively in its fleet of 90 aircraft.

However, JAL said yesterday the company was "completely re-evaluating" its needs, in the light of developments in engine technology and the likelihood that it would be buying many more aircraft in the next few years.

The company said a team had just returned to Tokyo from a buying mission to the three major engine suppliers, and it was "very impressed with the Rolls-Royce presentation." Rolls has been making a major effort to expand its share of the Japanese jumbo jet engine market with its RB211-524G engine.

"We are obviously very interested in this order," said Mr Rod Williams, commercial engineering manager of Rolls-Royce (Far East) in Tokyo.

The RB211-524G, with thrust of 60,600 lbs, was launched in the Boeing 747-400 in June last year and has been selected by British Airways, Cathay Pacific and Quantas. A recent Rolls brochure published for the Japanese market describes the RB211-524G as "a safe investment for Japan," and emphasises Rolls' long history of supplying gas turbines to the Japanese navy and aero engines for Japanese military aircraft.

Also, All Nippon Airways uses RB 211s in its TriStars and TDA, another Japanese airline, uses the Rolls-Royce Dart engines in the YS-11 turbo-propeller aircraft. JAL operate the largest fleet of Boeing 747 aircraft in the world, with 59 in service and another 10 (including the latest five) on order.

Of the existing aircraft, 36 are long haul passenger jets, and JAL plans to replace a substantial proportion of them in the next few years.

Iraq in credit line talks with Britain

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

Iraq's Trade Minister, Mr Mohammed Mehdi Saleh, is due in London for talks which are likely to include the possibility of establishing a new line of credit to finance UK exports.

Officials from Iraq were yesterday in talks with representatives of the Export Credit Guarantees Department over a possible credit line. Mr Saleh is expected to meet Mr Alan Clark, Minister for Trade, today under the auspices of the UK-Iraq Joint Commission, which meets annually.

Two existing lines of credit, one for £275m led by Morgan Grenfell and one for £300m led by Midland Bank, will expire at year-end. The expectation among bankers has been that a further credit is likely to be granted, although perhaps not of the size of the previous two.

Any new credit might possibly include a general purpose line, with further credits for pharmaceuticals and possibly food, and perhaps a line for project financing.

Iraq's seven-year-old war with Iran has severely drained its foreign exchange reserves, and it has been restructuring much of its foreign debt, which is estimated to exceed $60bn, including that with many western export credit agencies.

However, the repayment experience of the banks lending under the ECGD protocols is said to have been good, with banks only experiencing small delays.

After experiencing a severe foreign exchange shortage early last year when oil prices plunged, Iraq's export income has since improved with the recovery in oil prices and the commissioning of new pipelines.

Japan vehicle exports 'expected to fall 3%'

JAPANESE vehicle exports are expected to show a year-on-year drop of about 3 per cent in August, the Japan Automobile Manufacturers Association said, Reuter reports.

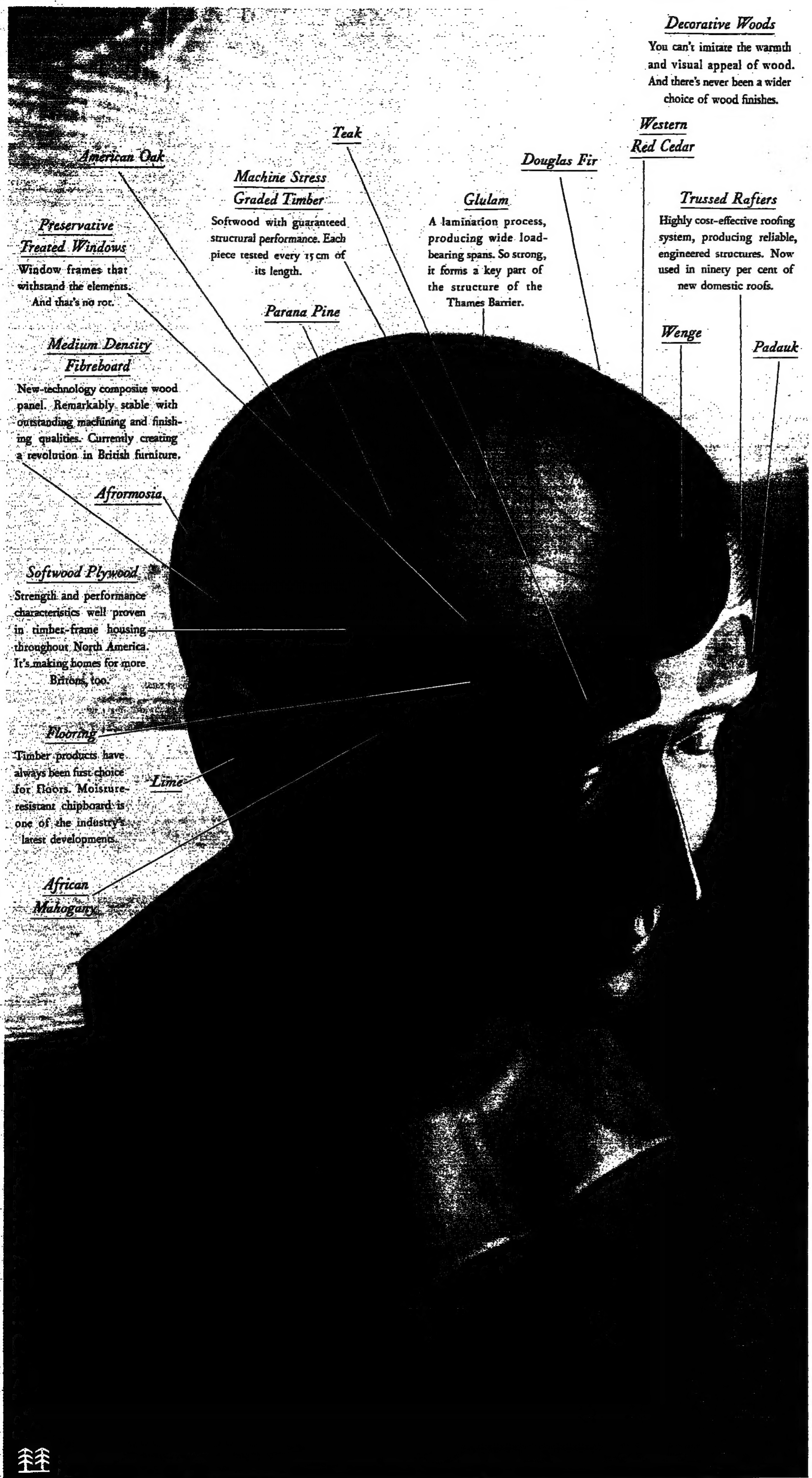
Higher domestic sales helped to boost vehicle production by 4.2 per cent from a year earlier to 804,184 in August, the association added.

But August output was down 26.4 per cent from a month earlier.

August production comprised 521,175 cars, up 5.8 per cent from a year earlier, 279,612 trucks, up 0.9 per cent and 3,397 buses, up 26 per cent.

Cumulative vehicle production in January to August totalled 8.02m, down 1.7 per cent from a year earlier, the spokesman said.

Japanese motorcycle production fell 12.7 per cent from a year earlier



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LAW AND SOCIETY

The urgent need for a draught of fresh air

BY CELIA HAMPTON

"I am firmly of the opinion that, however we draft our statutes, the British public, except perhaps for the remote lunatic fringe, never read the statutes nor are likely to do so." – **Norman Adamson, First Parliamentary Draftsman for Scotland, April 1986**

Most draftsmen, certainly most lawyers, would be rather more ambivalent about the legal literacy of the "lay public." Moreover, like most quotations, it is not altogether fair to Mr Adamson, who was making a point to fellow specialists at a conference of French and British lawyers.*

But there is a problem. Although it can be described as one of communication, it is nearly intractable.

In very basic terms, it starts with a conflict between two people. Society decides which view of the issue to support (by coercion, if need be). Lawyers are appointed to decide, and to set the rule for resolving the issue when it recurs.

The number of rules proliferates in step with the issues between people. Although lawyers have formulated overall rules of principle to apply to all conflicts, or to a broad a field of conflict, the mass of detailed rules for single issues or bunches of issues has grown unmanageable for ordinary lawyers, let along ordinary people. The need for this arises from society, however, not from lawyers. They are really the technicians appointed to manage disputes fairly between people.

The law is not always conceptually complex. Often legal imagination goes rather into envisaging potential disputes and conflicts rather than into devising the solution.

The non-lawyer who has a problem does not, however, have to worry about the whole body of legal rules all at once. He has a fairly narrow range of facts. He may want to arrange them in such a way that he will not get involved in a conflict, or he may find that he is already caught up in a conflict and wants to know how to get out of it.

He needs access to the law. It should provide him with the mechanism for answering his questions, although this presupposes a measure of objectivity and analytical prowess unlikely in, say, most matrimonial disputes.

The obvious answer - "go to a lawyer" - is not realistic. Without legal aid, most advice on personal legal problems is far *too expensive*, and this goes for a growing number of small and medium-sized businesses and even some large ones.

Whether lawyers' charges are too high, or whether we should all budget for them as a matter of routine, is another matter. A lawyer's advice for ordinary disputes is often simply inaccessible.

Is, therefore, the law itself accessible? The answer is overwhelmingly "no!". There are two possible solutions. One is in the law-making process, *to make it* intelligible. Re-writing the entire body of law for this is clearly impossible, but some progress could be made in new law and in explaining existing law.

The other approach - self-help - is also idealistic and would need some effort to be made in education, but it is probably all that the ordinary person can hope for.

It is of fundamental importance that lawyers should not confine their communication to other lawyers. Legislators, who one would think had an opportunity to be more expansive, have not always helped.

It emerged at the Franco-British conference how skilled the legislative draftsmen are in devising texts which do neither more nor less than Parliament *intended*. The *courts* have also shown exemplary skill in construing the legislation and applying it to unforeseen circumstances.

It also emerged that there is a substantial opinion that legislation should be intelligible, coherent and accessible and that UK legislation does not altogether meet this target.

The French experience is different. Although there is a surprising degree of similarity between the two countries' experience *in* grappling with the complexities of late twentieth century society, French law derives substantially from texts which make statements of general *legal principle* in plain French. British legal principle derives substantially from common law (non-statutory), which is subtle and diverse and by no means always in plain English. It has to be assembled in a textbook, and sadly lawyers are not always good plain language communicators *in print*.

Another difference with emerged at the conference was the concern expressed by many of the French participants at the *failure* of French legislation to live up to the ideal of the Napoleonic codes and the fact that far more detailed decrees and other texts are issued without the attention to intelligibility that the more leisured law-making process of the past allowed. The British participants were overall less disposed to express regret, but *rather to explain the* need for the complexity of legislative language.

Three relevant *facts* emerged in the conference proceedings. First, the United Kingdom produced over twice the volume of French legislation in 1984. Taking all forms of law and regulation, the UK enacted 2,190,000 words, as against 927,000 in France.

Second, the French statutebook in increasingly available to the general public on the PTT's 'Minitel' data service. The government's LEX database has been developed over a decade, covering most statutory law, and is swiftly updated. By what must have been considerable public expenditure, the French citizen has access to the law on his telephone line.

The third striking point was illustrated by Sir William Dale who was once told by his French au pair girl that if an employee in France wanted to ascertain his rights he would look in the Code du travail. The "Frenchman-in-the-street" no only has access to an intelligible text, he also has the willingness to look at it.

The English, Welshman or Scotsman does not have the benefit of much *intelligibility*, and where laws have been made lucid he is often frightened off by the knowledge that the text he is looking at may tell *only a small part of the story*.

Inspired by the excellence of the conference book, I cast around at random to sample the English *and French* statute-books. Some English was commendably simple and some of the French was quite diffuse, but it was impossible to find a *section in* a French text which had to go through the elementary parsing exercise needed for many of the English texts - find the subject, verb and object, then divide off the subsidiary clauses by commas and attach them to the basic part of the sentence to which they relate.

The French seem to have *solved this problem* by a simple yet revolutionary device - the use of the full stop mid-section.

A lengthy but otherwise fairly typical example of English drafting came *in the* New Towns and Urban Development Corporations Act 1985, which added (itself a cumbersome process) a new section 62B (3) to the New Towns Act 1981:

"Where a loan is specified by an order (to suspend repayment obligations) ... the terms of the loan shall have effect as if any payment by way of repayment of or interest on the loan which (apart from this section) would fall due at any time within the unexpired period for repayment of the loan *fall* due instead at the corresponding time within the period of the same duration beginning at the end of the period of suspension ...'

These seven or eight lines of print in the statute are perfectly drafted, with great precision, to cover without room for doubt the legislator's exact purpose. Close study will reveal to a lawyer on the second or third ready precisely what is intended. It would probably lead the average non-lawyer into a state of paralysis.

* *"British and French Statutory Drafting. The Proceedings of the Franco-British Conference of 7 and 8 April 1986", edited by Sir William Dale, published by the Institute of Advanced Legal Studies, 17 Russell Square, London, WC1B 5DR, £9.50.*

UK NEWS

Pace of growth accelerates to nearly 4%

BY RALPH ATKINS

THE BRITISH economy grew strongly in three months to June, building on an acceleration in the pace of growth in the previous three months and helping to push the annual rate towards 4 per cent.

The average measure of gross domestic product was 0.5 per cent up on the previous three months and 3.7 per cent higher than a year before, figures yesterday from the Central Statistical Office show.

Although this measure is regarded as the best indicator of economic growth, there were particularly large distortions in the second quarter between the various indices the Government calculates. CSO statisticians, however, believe economic activity was probably between 3.5 per cent and 4 per cent higher than at the same time last year.

That is slightly higher than the growth rate estimated from figures for the first quarter of 1987 and suggests the Treasury's budget forecast of 3 per cent growth this year will be exceeded comfortably.

However, most independent economists do not think the pace of growth will continue into the second half of the year. Weak demand from abroad for British exports and a slowdown in the rate of domestic demand are expected to result in a growth rate of about 3.5 per cent for the full year.

The second quarter saw strong performances in manufacturing output and investment spending - suggesting that, compared with previous quarters, growth is being led more by industrial growth and less by consumer spending.

Manufacturing output increased by 2 per cent between April and June. Compared with the second quarter of 1986 it was about 5 per cent higher.

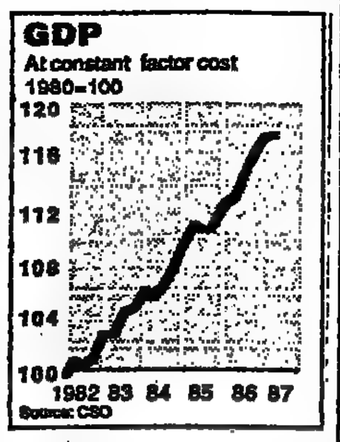
However, there was a fall in North sea oil production. This meant gross domestic product measured by output and excluding oil and gas extraction rose by about 4.5 per cent between April - June 1986 and the same period in 1987.

Company profits grew strongly during the year to June even after allowing for the effect of the inclusion for the first time of the profits of the newly privatised British Airways and British Gas in the statistics.

Quarterly movements in investment spending have tended to move erratically recently but the CSO estimates the underlying annual growth rate is now about 4.5 per cent compared with about 3.5 per cent at the same stage last year.

Consumer spending, in constant prices, increased by about 4 per cent in the second quarter of 1987 compared with the same period last year.

The figures follow the publication last week of a stream of official figures showing buoyant output, rising investment, falling unemployment and subdued inflation.



Conservatives aim to defuse row over property tax plans

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE CONSERVATIVE leadership is to try to defuse any major row over the Government's controversial plans for the reform of rates (local property taxes) by staging the community charge debate during the first morning of the party conference, which begins in Blackpool on October 6.

The conference agenda, published yesterday, confirms that the general election pledge to replace the present system of rates, by what has been labelled a poll tax, faces considerable opposition in rank-and-file membership of the Tory party, as well as among some Tory backbench MPs and local councillors.

A total of 69 motions on the subject have been submitted and while the majority support the community charge plan, several are highly critical of the proposals and urge the Government either to rethink them or to explain them more fully to the public. Ministers hope that by confronting the issue at the start of the conference, they can prevent opposition gaining momentum during the week.

Several critical motions call on the Government to ensure that the new system bears in mind people's ability to pay and. One motion from London Enfield North, says the Government should exercise extreme caution in proposing a change which, it claims, could lead to "the same confusion and unfairness as the present system."

A motion from London Lewisham Deptford says the community charge proposal is flawed and calls on the Government to reconsider the plan, while the Chelsea constituency party says the community charge will cause greater injustice and resentment than the existing rating system.

The motion chosen for debate calls the Government's proposals the "fairest and most democratic way of reforming local government" and seeks their early introduction. Mr Nicholas Ridley, the Environment Secretary, will wind up the debate.

Mr Norman Tebbit, the Tory party chairman, said yesterday that he expected "a lively debate" on the issue but emphasised that the community charge represented a manifesto commitment on which all Tory candidates had fought.

Other subjects which will dominate the Blackpool proceedings, likely to be attended by up to 5,000 party representatives, are proposals for the reform of the education system, health and social security, the economy, inner cities and law and order. There are over 30 motions calling for the restoration of capital punishment or for a referendum on the issue.

There will also be a debate on privatisation, with several constituency motions calling on the Government to ensure that its continuing programme does not permit the creation of private sector monopolies.

The general election victory means that fewer motions have been submitted on party policy and organisation.

Conservative Party chairman Mr Norman Tebbit yesterday made it clear that Mr Jean-Marie Le Pen (right), leader of the French National Front, would not be welcome at Blackpool. He has been invited to attend by Sir Alfred Sherman, a former adviser to the Prime Minister.

Mr Tebbit said Mr Le Pen was the member of a party whose policies disqualified him from membership of the Tory party. He had not been invited by the party but it had no powers to deny him free speech. If the National Front leader came to attend any fringe meetings, he hoped conference representatives "would do something more constructive with their time" than go to listen to him.

Social Democrat factions fall out

By Michael Cassell

A MAJOR row broke out last night between pro and anti-merger factions within the national leadership of the Social Democratic Party.

At a key meeting of the party's national committee, called to nominate members of the team which will negotiate the creation of a new party with the Liberals, Mrs Shirley Williams, the SDP president, was forced to use her casting vote to remain in the chair.

Afterwards, both she and Mr Robert Maclennan, the SDP's new leader, accused the anti-merger camp of attempting to step up their campaign before the results of the talks were known.

Mrs Williams added: "It is simply to wreck the constitutional procedures and practices of the SDP."

The national committee reached complete agreement on the membership of its negotiating team and Dr David Owen, the former SDP leader, said he wanted to see the talks conducted properly and the negotiators to be given free rein.

Five of the 16-strong team, which could begin talks with the Liberals next week, were supporters of the call for closer links with the Liberals, rather than supporters of the creation of a new party.

But a bitter and heated confrontation, exposing the major divisions within the party leadership, broke out when Mrs Williams suggested, on the recommendation of the Electoral Reform Society, that the party should set up a special committee to recommend new procedures for future ballots.

The move followed complaints by both pro and anti-merger supporters about the conduct of the campaign before the SDP conference decision at Portsmouth.

The society found that there had been abuses of party rules by both sides, including the improper use of local membership lists.

The pro-merger faction called for the committee in order to iron out balloting procedures in time for next year's vote on whether or not to join the Liberals in a new party. Dr Owen criticised the move.

Mr Mike Thomas, the former MP and a leading opponent of a merger, called instead for an immediate decision to make national membership lists available to both sides.

Mrs Williams, who said it was unlikely there would be any objection to lists being made available after the inquiry, refused to put his call to the vote and she was then forced to use her casting vote to stay in the chair.

She said afterwards that she found it disturbing and "highly inappropriate" that any campaign which required a national membership list was being pursued before merger talks had even begun.

Mr Maclennan said that any moves made now to embark upon a campaign against a merger were contradicting the expressed wishes of the party membership, as expressed at Portsmouth.

Storehouse rejects Mountleigh

BY NIKKI TAIT

STOREHOUSE, the Habitat, Mothercare and BHS retailing chain headed by Sir Terence Conran, yesterday threw out an attempt by Mountleigh, the property company, to secure an agreed £1.7bn takeover deal.

Mountleigh's newly appointed advisers, Lazards, met with Kleinwort Benson, who are advising Storehouse, yesterday. But the meeting lasted little over 20 minutes, and shortly afterwards Storehouse said it found the proposals, which would have involved a break-up of the Storehouse Group, "completely unacceptable."

The outright rejection leaves Mountleigh with the choice of accepting defeat, raising its terms or making a hostile approach. Last night, Lazard said that the company had not yet come to any view. However, there is some pressure to move quickly.

Mountleigh announced that it was considering a bid on August 13, and after six weeks' consideration the Takeover Panel is likely to expect some clarification of its intentions.

Meanwhile, two rival retail chains - Woolworth Holdings and Burton Group - are thought to have reduced their stakes in Storehouse. Woolworth, which had picked up just over 1 per cent of the shares, yesterday informed the Takeover Panel, that it had sold 1m shares, reducing its holding to 0.878 per cent.

The shares were sold in "after hours" business on Friday. The company, mooted as a possible rival bidder, continues to make no comment on the Storehouse situation. Burton, which held a smaller stake - about 0.5 per cent - is believed to have sold out completely.

At yesterday's meeting, Mountleigh's advisers are believed to have sought the backing of Storehouse's board for bid price of over 410p a share - capitalising the entire group at about £1.7bn.

Call to harden coal curbs

BY OUR LABOUR CORRESPONDENT

A CALL was made yesterday for a special meeting of the National Union of Mineworkers' national executive committee to discuss stepping up the union's overtime ban.

The Durham NUM area, which had already publicly criticised the ban as being too "soft", called for the executive to meet in Brighton next weekend on the eve of the Labour Party conference there.

The call came on the first day of the limited overtime ban, imposed on coal production and development work in protest at British Coal's revised disciplinary code. The ban had little initial effect.

Property income certificates delayed to April

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE LAUNCH on the Stock Exchange of property income certificates, a new form of single property investment, has been delayed at least until April. Their introduction had been planned for late next month.

The certificates, known as Pincs, are an entitlement to a portion of the rental income in a single building and a share in the management company set up to run that building. They are designed to offer investors the chance to make direct investments in property without having to shoulder the costs of buying a complete building.

Mr Robert John of County NatWest and deputy chairman of the Pincs Association, said yesterday: "There was not a technical reason why we could not proceed - rather there was a commercial one."

The association, set up to organise and promote the arrival of the new financial instrument on the market, had dates in October and November from the Government Broker for three new issues. Prospectuses were being drafted and legal documentation for the issues was being prepared.

However, the association, following a further round of discussions last week with the Trade and Industry Department, has advised the vendors of the properties to delay their issues.

They will wait until the publication next April of regulations, springing from the Financial Services Act, covering collective investment schemes.

Mr John said that while it had always been technically possible within the framework of existing law to trade Pincs, there was a very remote chance that the new regulations could affect the issues already on the market. This was not a risk the Pincs Association could advise the vendors to take.

The Stock Exchange last May published listing regulations for Pincs and for two other forms of single property investment - single property asset companies and single property ownership trusts. So far no issues have come to the market.

The Pincs Association, sponsored by County NatWest, the National Westminister merchant banking subsidiary, Richard Ellis Financial Services, part of Richard Ellis, a firm of chartered surveyors, and ANZ Merchant Bank, was founded a year ago. It had originally hoped to offer the market its first issues by early this year.

Baring takes over as adviser to Pearson

BY MARTIN DICKSON

PEARSON, the information, banking and industrial conglomerate, yesterday appointed Baring Brothers, the merchant bank, as a financial adviser in place of S.G. Warburg.

Pearson has parted company with Warburg because of the dual role played by the securities house last April when Mr Carlo de Benedetti, the Italian businessman, acquired a 4.9 per cent stake in Pearson. Warburg's security trading arm acted for Mr de Benedetti in the purchase, while its corporate finance arm was an advisor to Pearson.

While Pearson says it is happy with Mr de Benedetti as an investor, the company decided that it would prefer to be represented by a different merchant bank. In Baring, it has picked one of the merchant banks which have chosen not to become fully integrated securities house in the wake of the City's Big Bang and therefore does not have a UK equity trading side.

To some extent, therefore, the change of bank appears to reflect concern at Pearson and among some other companies over the potential for conflicts of interest which can arise in the City's big new integrated securities houses.

Pearson - which owns the Financial Times - is normally advised by Lazard Brothers, in which it has a large stake. One of the prime responsibilities of the independent merchant bank adviser would be to assist it in the event of a bid for the company.

For nearly 3 weeks after Mr de Benedetti's share purchase the identity of the buyer remained a mystery to Pearson, which caused embarrassment to Lord Blakenham, the chairman. At the company's annual meeting he was unable to tell shareholders who the new investor was.

Sales of business personal computers 'likely to slow'

BY DAVID THOMAS

DEMAND for business personal computers is set to slow as the market becomes more mature, according to a report from Romtec, a specialist market research consultancy.

The business personal computer market has recently experienced explosive growth. Romtec's report says that the average annual increase was 38 per cent by volume and 33 per cent by value between 1983 and 1986.

However, Romtec is now forecasting average annual growth rates of 8 per cent by value and 17 per cent by volume between 1986 and 1991.

Mr Marek Vaygelt, an analyst with Romtec, said the personal computer market was more mature with greater penetration of the potential customer base.

Average prices are also set to fall by 30 per cent between 1986 and 1991. This compares with a 7 per cent fall between 1984 and 1986, when increased sales of more powerful machines compensated for price reductions by the suppliers.

Romtec is still forecasting a healthy overall market, with replacement sales becoming more important.

In 1986, 318,000 business personal computers worth £873m were sold in the UK. In 1991, according to Romtec predictions, the market will have grown to 679,000 machines worth £1.3bn.

Particular segments are forecast to grow even more rapidly. For instance, the top end of the personal computer market will grow 81 per cent by volume and 53 per cent by value on average each year between 1986 and 1991.

Sales of laser printers will increase 51 per cent by volume and 40 per cent by value over the same period.

UK Business Microcomputers. Romtec, Hattori House, Vanwall Road, Maidenhead, Berks SL6 4UW. Three volumes: £995 each or £2,240 for the three.

Northern Foods to restructure activities

By Lisa Wood

NORTHERN FOODS, the dairy and food group, yesterday announced an agreed £4.1m sale of Baron Meats, a cooked meat products subsidiary, and the restructuring of its UK and Irish activities.

Mr Christopher Ball, currently managing director of Northern Foods' UK businesses, is a principal shareholder in PA Manufacturing, a company set up to buy Baron Meats. He is resigning from Northern Foods to develop his own business interests.

The resignation of Mr Ball, who is well respected in the food industry, has provoked the restructuring of the UK and Irish activities of Northern Foods into four groups, instead of three, with the four managing directors reporting directly to Mr Christopher Haskins, chairman and chief executive.

Mr Ball's post as managing director of the UK businesses will not be retained.

The four groups are dairy, convenience foods, meat and grocery. Previously Northern Foods' UK and Irish activities were split into dairy, milling and baking and meat and convenience foods. The four managing directors are Mr Trevor Blackburn, Mr Tony Hughes, Mr John Dicks and Mr Malcolm Little.

Mr Haskins said: "The new structure will reduce the number of management levels in the group and thereby enable fast and effective decisions to be taken by the management in our highly competitive markets."

The sale of Baron Meats is part of a 12-month rationalisation of Northern's activities.

Mr Hoskins said Baron Meats was a quasi-commodity business and Northern was better at producing added value products. Baron Meats, with a turnover of £18.5m, incurred a pretax loss of £400,000 in the year to end-March 1987.

Observer plans £1.4m relaunch for magazine

By Raymond Snoddy

THE OBSERVER newspaper has redesigned its colour magazine and plans to relaunch it at the beginning of next month under the title M. Apart from new features and a move up market the magazine will be bound with a spine.

The change, which takes effect from October 4, will cost £1.4m.

Mr Dennis Hackett, editor-in-chief, said he hoped the new form of binding would give the magazine a quality feel.

"We are endeavouring to produce a quality magazine which people would happily pay for in its own right," Mr Hackett said.

The relaunch issue would, at 152 pages, be the biggest published by The Observer.

The move will be supported by a £500,000 promotional campaign including spots on London Weekend Television's all-night Night Network schedule.

Mr Nick Morrell, managing director of The Observer, said the launch of M was the start of a new era for the paper.

Bankers' body changes rules

THE BRITISH Bankers' Association, the trade group of the UK banking industry, has amended its rules to allow all deposit-taking institutions to join. In the past, membership was limited to banks recognised by the Bank of England.

The change was made in light of the new Banking Act which comes into force at the end of this month. The act abolishes the distinction between recognised banks and licensed deposit-takers.

Andrew Taylor reports on the tough line being taken with Channel tunnel contractors

Eurotunnel cracks the construction whip

EUROTUNNEL, the Anglo-French Channel tunnel group, appears to be far less embarrassed than might have been expected following the disclosure that it had sent a stiffly-worded letter to the project's contractors, criticising them for delays, poor financial controls and failure to comply with contract obligations.

The publication of the letter just two months before Eurotunnel's crucial £750m international share issue should have set the alarm bells ringing yesterday at the group's London head office.

Instead the atmosphere was relaxed and confident as managers met at the group's headquarters at Portland House, Stag Place, to assess what damage the disclosures might have inflicted on the project and the prospects for its forthcoming share issue.

Eurotunnel believes the leaked letter, rather than displaying fatal flaws in its relationship with its contractors, could rebound to its credit.

One of the doubts about the project has been the influence wielded by the five British and five French construction companies which will build the tunnel and which are also founding shareholders in Eurotunnel itself.

The strong words penned by Mr Pierre Durand-Rival, Eurotunnel's French managing director, to Mr Andrew McDowall, chairman of Transmanche Link the construction consortium, shows that Eurotunnel is not afraid of getting to grips with the contractors and will, if necessary, seek to whip them into line.

Relations between Transmanche and Eurotunnel have been strained for some time. Mr Alastair Morton, British joint chairman of Eurotunnel, has made it no secret that he believes the terms of the construction contract signed last year with Transmanche were too generous to the contractors.

Mr Morton, chairman of Guinness Peat, the merchant bank, joined Eurotunnel in February in a Bank of England inspired shake-out which saw the departure of Lord Pennock as British joint chairman and represented a relaunch of the beleagured Eurotunnel management.

One of Mr Morton's first moves was to re-open negotiations with BR and SNCF, the British and French state railways, which had an agreement in principle to use up to 50 per cent of the tunnel's capacity.

The rather acrimonious and well publicised negotiations ended with Mr Morton persuading the railways to improve their offer.

It may be too late for Mr Morton to work a similar trick on Transmanche but if he cannot renegotiate the contract he is

Alastair Morton: persuaded the railways to improve offer

determined that the construction companies will not be allowed to backslide on what they have agreed to deliver.

Mr Durand-Rival's letter refers to "our numerous discussions and our correspondence on TML difficulties and failure to comply with its obligations under the contract."

It complains of slippage in the engineering programme, delays in producing rolling stock designs, total absence of financial information and a lack of proper cost procedures.

It is interesting that a similar catalogue of omissions was listed by Sir Nigel Broackes, chairman of Trafalgar House, the construction, property, shipping and hotels group, before he resigned as a director of Eurotunnel, just before Mr Morton's appointment earlier this year.

Sir Nigel, according to his supporters, was as critical of the Eurotunnel management and board as he was of the contractors.

Eurotunnel, at that time, denied it had any differences with Transmanche and insisted that preparatory work was progressing smoothly.

The increasing confidence felt by Eurotunnel is reflected by its recent readiness to adopt a bold public stance over issues like the railway renegotiations and its differences with contractors.

It made no attempt to obscure or soften its views once the letter from Mr Durand-Rival had been leaked.

The 10 contractors - Balfour Beatty, Costain, Tarmac, Taylor Woodrow, Wimpey, Bouygues, Dumez, Societe Auxiliaire D'Entreprises, Societe Generale D'Entreprises Saiurapt et Brice and Spie Batignolles - are angry about the turn of events which, they say, gives them very little room for manoeuvre.

Officially, Transmanche is saying nothing about the issue. Privately, managers admit there have been differences over how much money Eurotunnel has been prepared to make available for necessary preliminary work. Confusion among Eurotunnel managers is also blamed for some of the delays in producing rolling stock designs.

Tranmanche management claims spending problems have been caused by Eurotunnel's decision to postpone its £750m share issue from the summer to the autumn. Its says that 90 per cent of the programme agreed with Eurotunnel has been completed and that cost control procedures and relevant financial information requested by the group was always planned to be available in time for the November share offer.

In terms of the construction programme, the project is running ahead of time, says Transmanche and as a result, drilling of the tunnel will begin in the UK ahead of the agreed starting date of December 1.

The contractors believe that Eurotunnel, having tried "to sort out the railways" is trying to put the squeeze on the construction consortium. The timing of the row is unfortunate, coming so close to the November issue, but Eurotunnel is taking the view that by sticking to its guns it is more likely to find favour with investors.

BBC to seek ruling on sponsorship cash

BY RAYMOND SNODDY

THE BBC is to seek a meeting with the Home Office to clarify whether it can use commercial sponsorship money to help to produce programmes.

The board of governors decided in principle last November that it would like to use sponsorship money to help to finance independent productions, which the Government wants to see on television.

The pledge was repeated by Mr Michael Checkland, BBC director general, at a meeting with independent producers in March.

Mr Checkland says he has now been told by the Home Office that the use of sponsorship money in return for on-screen credits would probably be counter to the BBC's operating licence under royal charter.

"I intend to approach the Home Office to clarify the whole situation. I believe that we should at least be able to give sponsorship credits for relays of opera from Covent Garden or the Open College," Mr Checkland said.

He believes that commercial sponsorship money would also provide valuable "seed corn" to help to get an independent production under way.

At the Cambridge Convention of the Royal Television Society last week Mr Checkland conceded that sponsorship was a tricky area and that sponsors were likely to view such money as a form of advertising designed to sell goods and services.

"We should not fudge that, but we need to re-examine our attitude to take account of what's happening in the field, particularly to encourage our coverage of the performing arts and new educational developments such as the Open College," Mr Checkland said.

Channel 4 puts business before Pob the puppet

BY PHILIP COGGAN

DALLAS HAD just come to an end on BBC1. Over on Channel 4sandwiched between programmes for schools and Just 4 Fun starring Pob the puppet, the first television daily business programme went on air yesterday.

Channel-hopping viewers must have been confused. Who was that well-dressed man with the steely eyes and the white-toothed smile, denying that his company was a one-man band? J R Ewing? No, Sir Terence Conran, talking about the possible Mountleigh bid for Storehouse.

Surely that sub-plot about the company fighting off a group of Antipodean investors, only to find a mysterious Czech buying its shares, must have come from the creators of South Fork?

Wrong again, although perhaps Mr Allistair Morton, Guinness Peat's beleaguered chief executive, could be forgiven for wishing, like Pam Ewing, that he could wake up and find the last six months was only a dream.

What eventually would have given it away to the random viewer was the running caption on the FT index, positioned "across my middle" as presenter Suzannah Simons delicately put it. Whatever else the long-suffering Sue-Ellen has to endure, the scriptwriters draw the line at making her a walking billboard for the Dow-Jones Industrial.

Nevertheless, there was one moment when the presenters of Business Daily lapsed into fiction. It was confidently announced that Babcock International had taken over Midlands housebuilder Clarke Securities, when the real purchaser was BICC.

But one must be magnanimous - newspapers have been known to make the occasional mistake, after all. The presentation was by and large very professional and contrasted well with the one "bought-in" report - an over-jocular Cable News Network item on Triple Witching Hour.

Whether the programme will attract its desired audience is harder to tell. A ring-round of city and industry contacts failed to find a single viewer.

BSC chief warns on Scots plant

By James Buxton, Scottish Correspondent

SIR ROBERT SCHOLEY, chairman of the British Steel Corporation, yesterday warned of the disadvantages faced by the Ravenscraig integrated steelworks, the future of which is an important issue in Scotland.

He pointed out that only a very small proportion of steel made in Scotland went to Scottish customers.

"One of our big problems in Scotland is the lack of a local market. This presents us with evident difficulties, especially as we have in Scotland a significant concentration of our semi-finished, continuously cast production resources," he told Glasgow Chamber of Commerce.

The future of Ravenscraig, which employs more than 3,000 people, has recently resurfaced as an issue in Scotland as the European Community discusses commission proposals for reducing steel-making capacity in Europe.

The existence of BSC's five integrated steel plants is guaranteed by the Government until August 1988.

Labour MPs, and some Conservatives, insist that Scotland must preserve a steel industry, both for the sake of employment and to rebuild its heavy manufacturing base.

Sir Robert yesterday gave no indication about Ravenscraig's future, though he warned that steel was a highly capital intensive industry.

House price rise continues

By Andrew Taylor

HOUSE SALES and prices have shown no sign of abating during the summer, according to a survey published yesterday by the Royal Institution of Chartered Surveyors.

The three months to the end of August is traditionally a quieter period for the housing market, but the institution said there had been no holiday lull this year and property demand had remained high.

Almost a third of the 176 agents polled in England and Wales said that prices had risen by up to 5 per cent during the three months.

Action sought on pensions anomalies

BY ERIC SHORT

THE INLAND Revenue was asked yesterday to resolve the anomalies in tax treatment between the new-style personal pensions and free-standing additional voluntary contribution contracts.

Mr Marshall Field, president of the Institute of Actuaries, told the 1987 UK Actuarial Convention in Harrogate there were many problems facing actuaries, particularly regarding current and forthcoming pensions. He highlighted the number of potential conflicts that would arise in pensions, brought about by government legislation.

The differences between the Revenue's very relaxed treatment of personal pensions contrasted markedly, he said, with the rigid regime required for free-standing AVCs and had been well publicised.

He hoped the Revenue would use the six-month delay in the introduction of personal pensions to eliminate these anomalies and he pledged that the profession would use every means available to ensure that the new pension arrangements were as fair and as simple as possible.

Mr Field discussed the other pensions dilemma: should employees remain in their company scheme or leave it and take a personal pension.

Employees needed to have the alternatives presented clearly and fairly. He urged actuaries to take on the responsibility of advising employees.

Mr Field told delegates that they faced the challenge of solving these dilemmas in the pensions field and helping employees through the choices and problems facing them.

Paging service extended

BY DAVID THOMAS

MERCURY COMMUNICATIONS, the competitor to British Telecom in the basic telephone market, is establishing a national paging service more than six months earlier than planned.

Mercury, in partnership with Motorola of the US, launched a paging service restricted to an area near London in April and said it planned to launch a national service by the end of next year. However, the company has now decided to go ahead with a national service immediately.

It will announce plans today to set up a service covering 70 per cent of the population, including most of the large cities in England and will launch a Scottish service in a few weeks.

Mr Bob Ure, managing director of Mercury Paging, said the company had brought forward its plans because demand for the initial London-based service was strong. He said his clients now ran into the thousands and he aimed to have more than 10,000 customers within a year. He said Mercury and Motorola were investing £5m in setting up the network.

BT has about 85 per cent of the more than 400,000-strong paging market.

Plessey business park

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

PLESSEY, the electronics group, is setting up a business park on its site at Beeston, Nottinghamshire, in co-operation with the county council and Broxtowe borough council.

The site will be in a building which Plessey no longer uses following job reductions over the last few years. The company has made over the building and co-operated in a £500,000 refurbishment programme which is expected to create about 100 jobs over the next six months.

Mr Bob Little, director of operations for Plessey Business Systems, said yesterday that the new joint venture company was aiming to attract high technology companies.

Plessey, which has previously launched similar schemes at other locations in the north, employs 4,000 people at Beeston, manufacturing a range of private telephone exchanges and transmission equipment.

CEGB seeks to retain its control of national grid

BY MAURICE SAMUELSON

THE CENTRAL Electricity Generating Board, which faces possible break-up under the Government's privatisation programme, yesterday warned that security of electricity supplies might be jeopardised if it lost control of the national grid, the network which distributes power around the country.

Mr Frank Jenkin, the board's corporate director of strategic studies, told a London conference on the future of nuclear power that the CEGB's unified operational control of power stations and the national grid had enabled it to ensure a safe and secure electricity supply.

He made no direct reference to privatisation but his warnings were seen as part of the escalating tug-of-war over control of the grid in which the CEGB is pitted against the Electricity Council, the industry's umbrella body, and some of the 12 retail area boards.

The Electricity Council, under the chairmanship of Sir Philip Jones, has been arguing that transferring the grid to the distributors will make the industry more responsive to its customers and increase competitive pressures on the power stations.

In the CEGB's first public plea for retention of the grid, Mr Jenkin said the 400,000 volt and 275,000 volt system - the so-called super-grid - was tremendously valuable in helping the board to fulfil its statutory duty to provide an economic and secure electricity supply.

The super-grid had developed as an integrated system over many years under common ownership with the main power stations and hence under unified management, operation and planning. As a result it allowed great flexibility and economy in operating existing stations at various points of the country to meet national demand.

For instance, it enabled the CEGB to accommodate major changes in power transfer patterns such as during the miners' dispute of 1984-85. It also allowed flexibility to look at a large number of sites in different parts of the country when it wanted to build new power stations.

Mr Jenkin said: "We can achieve these advantages because of the high quality of our unified operational control of the total system.

"This allows us to respond rapidly and efficiently to quickly changing circumstances, to maintain satisfactory voltage profiles and reserve margins and so reduce the risk of major system collapse to negligible levels."

But there was a limit to what the grid could do. The CEGB estimated it would need around 13,000Mw of new generating capacity by the year 2000, of which Sizewell B would contribute less than 10 per cent.

With demand growing faster in the south than the north, the grid was rapidly reaching the upper limit of its capability to transfer power flows from the big power stations in the Midlands and the north to meet this demand.

The system could collapse if high power flows led to multiple circuit trippings or voltage collapse. "If these dangers are to be averted, the supergrid must be adequately supported by regionally dispersed high merit generation, and that generation must be under continuous central operational control and management in order to maintain the dynamic stability and security of the system."

To ensure this, the CEGB needed new capacity, some of which had to be located in the south.

Councils attack loss of urban aid money

By Hazel Duffy

THE Conservative-controlled Association of District Councils started to kick back yesterday at the Government for taking urban regeneration money away from the local authorities to give it to other agencies such as urban development corporations.

Mr Ron Watkiss, chairman of the association's economic development committee, said: "We are not decrying these other agencies but there are vast areas which need regeneration and where district councils are the most efficient medium for future government investment."

He was speaking at the launch of an association policy document on urban renewal.

The document, A Blueprint for Urban Areas?, contains case histories of about 50 projects in urban renewal, job creation, and housing, carried out by local authorities around England and Wales in partnership with the private sector.

Mr Watkiss, a member of Cardiff council, said ministers' speeches had highlighted the few local authorities which did not co-operate with the private sector but he stressed that the vast majority of authorities did work with it.

The fear of the local authorities is that Environment Department money earmarked specifically for urban aid will be cut still further in order to pay for the urban development corporations, both those existing and planned, and for the urban regeneration grant, paid direct to developers.

Their worries are particularly acute in the light of Mrs Thatcher's remarks last week to the effect that there will be no increase in the inner cities' budget.

Urban aid peaked in 1983-84 at £348m, then was cut by 14 per cent in real terms, followed by a further 10.7 per cent cut in 1986-87.

The association is calling on the Government to "recognise the plight of urban areas administered by district councils and allocate adequate resources to assist in regeneration."

It warns: "There is a danger that by deliberately ignoring or seeking to circumvent the contribution which councils have made and will make, the Government is eroding the ability of local authorities to work with the private and voluntary sector and to respond to the needs of their areas."

David Lascelles on an electronic clearing initative in the money markets

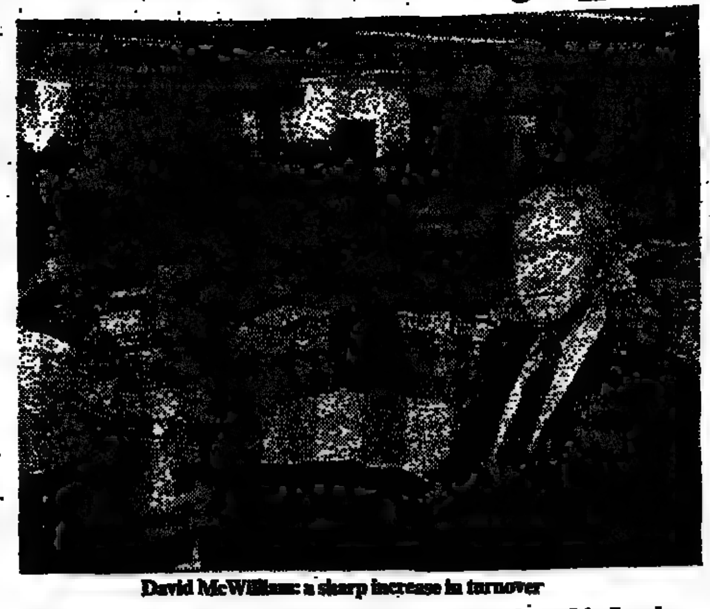
Trying to end the City paperchase

FOR DECADES people who deal in London money market securities have had to clear their trades by delivering pieces of paper to each other.

Messengers ply the City streets with bundles of bills, certificates of deposit and so on, and banks have strongrooms to store the paper close to the heart of the City. This inefficient and risky practice has long been in need of modernisation.

Now an initiative has been launched by London banks with the backing of the Bank of England to create an electronic clearing system. Named LondonClear, it is due to start in 1989.

Mr David McWilliam, its chief executive, predicts that LondonClear will lead to a sharp increase in turnover in the money markets by making it much easier for banks and investment houses to deal.



David McWilliam: a sharp increase in turnover

By the end of this year, he expects LondonClear to have completed its initial studies and be ready to start designing and buying the sophisticated electronic systems with which it will operate.

Ironically, however, this apparently worthy venture has attracted some sharp comment, because there are already two electronic securities clearing centres in London. They are owned by US banks First Chicago and Chase Manhattan which claim they could do the job just as well.

LondonClear has been set up as a co-operative of 36 clearing banks, discount houses, merchant banks and money brokers as well as the Bank of England. It will do away with paper by acting as custodian for all the bearer instruments in the London market (Treasury bills, acceptances, trade bills, certificates of deposit, commercial paper, and possibly local authority bills and bonds and warrants on gilt-edged stocks), and enable dealers to exchange instruments electronically. LondonClear will be linked to the London Clearing House so that payment for deals can be completed on the same day.

At the moment, membership has had to be limited to institutions which can settle payments in London but Mr McWilliam expects that other institutions such as building societies, investment banks and foreign banks will be able to join once LondonClear is operational. Whether non-banks, such as large commercial companies which also deal heavily in the money markets, will be allowed in has yet to be decided.

The reaction of First Chicago and Chase Manhattan has been somewhat pained. Mr Trevor Thomson, who runs First Chicago's operation based in Leadenhall Street, points out that his bank has been clearing financial instruments - mostly in non-sterling instruments such as Eurodollar deposits - in London since 1976.

It has 330 customers and has installed a system which is readily capable of being expanded to handle the entire London market. The membership is much wider than LondonClear - it includes non-banks such as the oil company Exxon for example - and it clears as much as $8bn of transactions a day.

"We think the sterling market is being asked to pay for something that is already there," said Mr Thomson.

Mr Glynne Gaulty of Chase, which clears UK equity and gilt-edged stocks as well as money market instruments and has over 200 customers, says: "It is not apparent what benefit they are bringing."

LondonClear's response is that it represents a much-needed service for the market which will be owned by the members of the market. First Chicago and Chase run their operations for profit, and have the additional disadvantage in many banks' eyes of being competitors rather than the suppliers of a service.

Mr Thomson rejects his competitors' fears. There are strong "Chinese walls" between his clearing operation and the rest of the bank so that their trading secrets will not leak out. First Chicago also offered some years ago to sell participations in its clearing business to outsiders but this was not taken up.

Another vital difference is that the US bank-owned systems guarantee all transactions which pass through their clearing centres. So if one party to a deal fails to perform, they pick up the tab.

LondonClear will not bear this risk. Mr McWilliam says "we are merely an enabling organisation" but points out that the electronic system will reduce the risk of loss of actual securities.

Enjoying, as it does, the backing of the Bank of England, LondonClear does look like an attempt to keep money market clearing in local hands but close links with UK banks are necessary, it is argued, if LondonClear is to settle on a same-day basis, which is its aim.

Eventually, all three systems may well link up, with LondonClear doing sterling business and the others handling foreign currency instruments. For the moment, the situation is described as somewhat delicate and nothing much may happen until LondonClear defines its policies.

British Coal jobs arm aids Welsh company

By Anthony Moreton

BRITISH COAL Enterprise, the job creation arm of the nationalised industry, is putting £1m into a north Wales company. The loan will mean the company can more than double its workforce over the next three years.

Data Magnetics, of Shotton, is to receive the soft loan from BCE to allow it to boost output of high density recording discs for professional computer users.

The company went into full production six months ago and employs 90 people. It is expected that the loan will allow it to increase its workforce to 250 over the three-year period.

Mr Paddy Carlin, Data Magnetics marketing manager, said raising the finance to launch the company to full commercial status had not been easy because there was still caution towards investment in high-tech products.

Research group urges tax relief on health premiums

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

THE GOVERNMENT will be guilty of criminal negligence if it does not legislate without delay to provide tax relief on medical insurance premiums, the St Michael's Organisation says in a report published yesterday.

Accelerating National Health Service bed losses and lengthening hospital waiting lists make an increase in the involvement of the independent sector essential, according to theorganisation, which conducts research into systems of delivering medical care.

Its report is a contribution to what promises to become a growing debate about methods of financing health care.

In addition to calling for tax relief on medical insurance premiums, it says the Government should consider introducing health care vouchers.

St Michael's says that those members of the public who are able to do so should reorder their financial priorities to allow for payment of medical insurance premiums.

It adds: "We recognise that this recommendation will cause offence to some but, by taking pressure off the NHS, its implementation will benefit the poorer members of society whose interests the objectors may claim to champion."

The organisation suggests that private wings of NHS hospitals should be sold off, preferably to consortia of staff working in the main hospital.

It says: "As demand for private treatment increases, progressively larger proportions of NHS hospitals should be added to their independent wings."

Experiments should be initiated in selected NHS buildings to test the feasability of establishing state-funded facilities under private management.

Health, Security and You. St Michael's Organisation, PO Box 89, London SE16 3RU. £4.95.

Companies 'relax cars policy'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MANY companies are abandoning Buy British policies for their car fleets and barriers against Japanese cars are being eroded, a study of the fleet car market published today suggests.

Nearly 200 companies were surveyed, mostly from the manufacturing sector, where Buy British sentiment has been strongest in the past. However, only 14 per cent of the companies questioned insisted on a buy-British policy.

Only 13 per cent said they would buy solely from UK-based assemblers and just 6 per cent would not buy Japanese cars. More than half imposed no restrictions on where their fleet cars were produced.

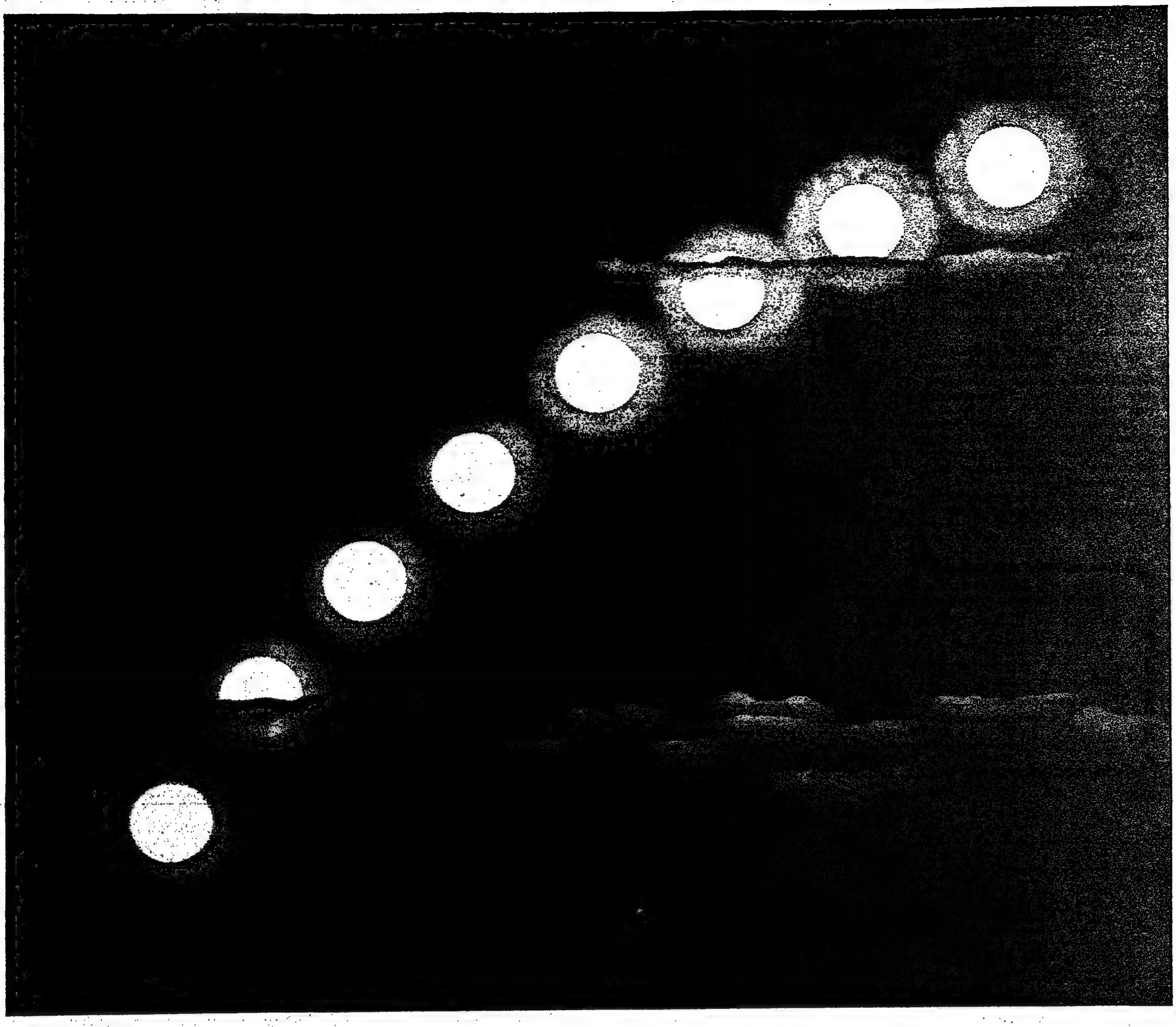
The study, produced for Triton Business Finance, part of the Xerox Corporation, confirms that Ford, the choice of 42 per cent of companies, and General Motors-Vauxhall used by 27 per cent, provide the most popular fleet cars.

Austin Rover trailed well behind in third place with 11 per cent and most companies which bought the state-owned company's cars said they did so because they insisted on buying British.

Peugeot, the French group which assembles cars at Ryton, Coventry, still has some way to go. Whereas some companies said they bought Peugeot cars because they were made in the UK, only 3 per cent of those surveyed had the French group's cars in their fleets.

Jaguar also supplied 3 per cent and ranked behind three West German companies: BMW with 7 per cent, VW-Audi 5 per cent, and Mercedes 4 per cent.

Fleet Trends, Triton Business Finance, Key West, Windsor Road, Slough, Berkshire, SL1 2DW. £12.



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APPOINTMENTS

Greyhound Guaranty UK banking chief

Mr Paul Gottlieb has been appointed chairman of GREYHOUND GUARANTY LTD, the UK banking subsidiary ofthe Greyhound Corporation. He continues with his current responsibilities as mananging director. **Mr Richard Welch**, chief financial officer of the Greyhound European Financial Group, joins Greyhound Guaranty's board.

*

Mr John Bookless has been appointed finance director of ABBEYGATE PRINT AND DESIGN, Bedfont. He was finance director of GOC.

*

SUMMIT HOLDINGS, estate development and contracting associate of the Constantine and Croudace groups, has appointed **Dr Alan Todd** as chairman and chief executive, **Mr Alan Feasey** as estates director, and **Mr Paul Rowsell** as finance director.

*

Mr I.R.Palmer has been appointed managing director of INA BEARING CO. from January 1 1988. He was marketing and engineering director.

*

OCEAN TRANSPORT & TRADING has appointed **Mr William Hogg** and **Mr David Jones** as directors of Ocean Mackenzie. Mr Hogg is general manager, and Mr Jones is responsible for international port consultancy.

*

Sir Ron Dearing, who was chairman and chief executive of the Post Office, has been appointed a director of COUNTY DURHAM DEVELOPMENT CO., from October 1, and will become chairman shortly thereafter.

*

Mr Terry Osborne has been appointed general manager Europe with SYSTEMS SOFTWARE ASSOCIATES INC. He was director of marketing services, IBM United Kingdom.

*

Dr John R.Adsetts will join ALBRIGHT & WILSON as technical director on October 1, in succession to **Mr G.R.James** who has retired. Dr Adsetts is a director of M.T.M., and chairman of Marlborough Biopolymers, and ICI subsidiary. He will remain a non-executive director of M.T.M.

*

Mr Bill Glenrey has been appointed managing director of SCOTTISH ROAD SERVICES, a member of the National Freight Corporation. He was managing director of Scottish Parcels.

*

VIVAT HOLDINGS (formerly Lee Cooper Group) has appointed **Mr Barry Gibson** to manage its UK retailing operations. He was managing director of the Surprise retail chain.

*

MOSS COMMUNICATIONS GROUP has appointed **Mr Tony Broadhead** as financial controller. He was financial director of Deborah services.

*

Mr Michael Parkinson, general manager of the PORTMAN BUILDING SOCIETY, Bournemouth, has joined the board as managing director.

*

Mr James W.Turnbull has joined CARGILL EUROPE as divisional director of the company's British Cotton Growing Association. He was a senior consultant with Minster griculture.

*

LARCH-LAP has appointed **Mr Don Sant** as its managing director. He was a member of the Williams Holdings post acquisition team, during which time he had been responsible for assisting with the integration of acquired companies into the group.

*

HUNTING GATE DEVELOPMENTS has made three appointments operative from September 30: **Mr Ken Grundy**, director, has been appointed deputy managing director. He is resonsible for Hunting Gate Developments London office. **Mr Andrew Clayton** and **Mr Jeremy Needs** have also become directors.

*

Mr Matti Kerppola, previously manager foreign trade credits with Skopbank in Helsinki, has joined FENNOSCANDIA as its UK representative.

*

Mr Paul van Zuydam has resigned from the boards of Gallaher and the Prestige Group to enable him to pursue the acquisition of Le Creuset Sarl, the French cast iron cookware manufacturers. **Mr Michael Kettle**, a director of Prestige, succeeds him as chairman and chief executive of the PRESTIGE GROUP. **Mr Philip Luckett**, recently appointed managing director of Prestige's UK housewares division, has also been elected to the board of the Prestige Group.

*

Dr David Smith, who until September 1986 was chairman and managing director of Exxon Chemical Ltd and other Exxon chemical companies in the UK, but remained a director until last December, has been appointed a director of NATIONAL WESTMINSTER BANK'S western advisory board for October 1.

*

SCOTTISH EQUITABLE LIFE ASSURANCE has appointed the following to its board: **Mr David A.Berridge**, general manager, **Mr Paul H.Grace**, deputy general manager and actuary, and **MrDavid J.Kirkpatrick**, assistant general manager (investment).

*

WARD ARCHITECTURAL SYSTEMS, part of the Ward Group, has appointed **Mr George S.Hilton** as its operations director. He comes from Solaglass, where he was production director.

*

Mr Charles Llewellyn has been made a director of LOCAL LONDON. He was a director of Selmonde Holdings which was acquired by Local London earlier this year.

*

Mr Einion Holland, chairman of the Pearl Group, has joined the board of CRAWLEY WARREN as a non-executive director.

*

Mr Philip Bell has been appointed manufacturing director of the ASP GROUP. He was formerly with Permali, a subsidiary of BTR, as group engineering director.

*

Mr R.E.Bell has been appointed group chief accountant and **Mr C.J.Lloyd** has been appointed group accounting manager of J.ROTHSCHILD HOLDINGS.

*

Sir Pat Lowry has been confirmed as chairman of the NATIONAL JOINT COUNCIL FOR THE ENGINEERING CONSTRUCTION INDUSTRY. He succeeds **Mr H.G. Deville**, who becomes full time chairman of Meyer International.

*

ROYAL TRUST ASSET MANAGEMENT has made the following appointments: **Ms Jane Raybould** has become international strategist, with resposibility for investment policies, economic forecasts and global asset allocation. She wasformerly with at Fuji International Finance in the same capacity. She is appointed a director of Royal Trust Fund Management and RT Financial Management Services. **Mr Chris Fishwick** has been made international fund manager. He will also be responsible for pension fund management. He was formerly at Capel-Cure Myers where he was an associate director specialising in international markets. He is also appointed a director of Royal Trust Fund Management and RT Financial Management Services. The following are also appointed to the boards of Royal Trust Fund Management and RT Financial Management Services: **Mr James G.Harris**, marketing director, **Mr Robin H.Hartley**, sales director, **Mr Neil Millward**, administration director, **Mr Christopher J.Mitchell**, Far East manager, **Mr John A. Morgan**, commodity and gold fund manager, **Mr Philip A.Otten**, senior UK fund manager, and **Mr James J.Rogers**, North American fund manager.

Mr Paul Gottlieb, chairman of Greyhound Guaranty Ltd, the UK banking subsidiary of the Greyhound Corporation.

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Epson's compleat office companion.

Twenty things you need to know to become more effective immediately.

1. The compleat office.

As a general rule, the higher you rise in an organisation, the tidier your office should be.

When starting out, it is wise to plaster your walls with urgent-sounding reminders such as 'Ring N. @ 10.05 (N.B. a precise time) for monthly figures on LQ850/1050', impressive phone numbers (e.g. Whitehall, the BBC, anywhere abroad) and letters praising your efforts (make these up if necessary).

As you progress, however, this clutter may be seen as a sign of inefficiency rather than industry. Surely you should have acquired the power to delegate most of your work?

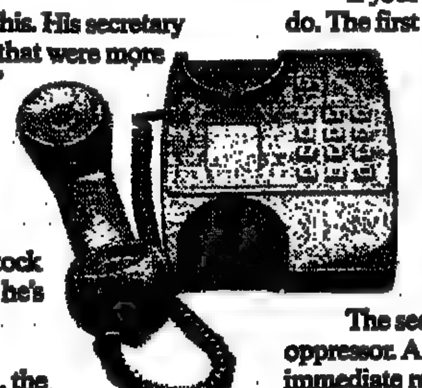
This point was made most strongly by Lew Wasserman, the head of MCA records. Late every evening, he would visit all the offices and throw any loose paperwork into the bin. "If you can't get it done before you leave," he told his executives, "you can't be doing it right."

2. The compleat filing system.

The papers in your filing cabinets should never be thrown out under any circumstances.

They may take up a lot of space, but it is a cast-iron certainty that if you ever discard them — even if you have not consulted them for ages — you will need them the very next day.

The film producer Samuel Goldwyn realised this. His secretary once asked him whether she could destroy the files that were more than ten years old. "Sure," he said, "but keep copies."



3. The compleat telephone.

Every office will have one of these — but not everyone realises that the telephone is intended to prevent communication rather than aid it.

Together with a secretary armed with all the stock phrases (e.g. he's just stepped out, he's in a meeting, he's on the other line), it can render you virtually uncontactable.

However, if a call does ever get through to you, the most important thing to remember is that you can still be heard swearing when you put your hand over the mouthpiece.

When you want to pass on or find out information yourself, it is obviously useless to use the phone. Easily the quickest ways to pass on news are to tell the receptionist or switchboard operator in complete confidence and to leave a 'top secret' memo on the office photocopier.

To find anything out, pay a visit to the appropriate person's office and casually read everything on the desk upside-down.

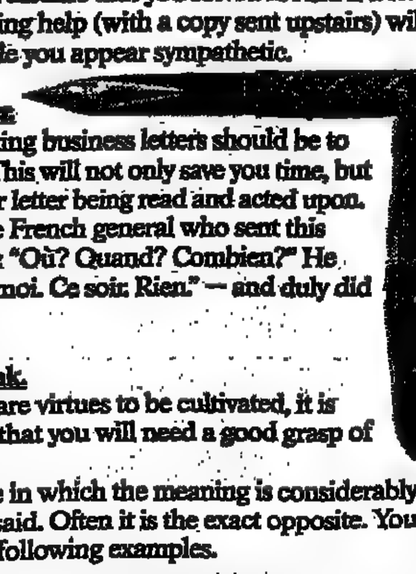
4. The compleat memo-writer.

Like the telephone, the office memorandum is the subject of widespread misconceptions. It may occasionally be used simply to pass on information, it is true, but more often than not it is a political tool.

You can use it to avoid taking real action. Circulating a long memo will usually create a long enough delay for the crucial moment to pass — and you will still be seen to have done something.

By securing a memo from a superior before a risky course of action, you can safeguard your rear if things do go wrong.

Finally, it can be used for self-promotion. If someone else in the office solves a problem, a memo from you to the top brass stating that 'all is now well' will make them assume that you solved it. And if a rival makes a blunder, a memo offering help (with a copy sent upstairs) will make him look even worse while you appear sympathetic.



5. The compleat business letter.

Your main aim when writing business letters should be to keep them as short as possible. This will not only save you time, but also improve the chances of your letter being read and acted upon.

Follow the example of the French general who sent this message to a courtesan in Paris: "Où? Quand? Combien?" He soon received the reply: "Chez moi. Ce soir. Rien." — and duly did the business.

6. The compleat business-speak.

While brevity and clarity are virtues to be cultivated, it is nevertheless a fact of office life that you will need a good grasp of 'business-speak' to survive.

This is a form of language in which the meaning is considerably different from what is actually said. Often it is the exact opposite. You will soon get the idea from the following examples.

'There is a body of opinion against this.'	— I disagree.
'I am unable to agree in this instance.'	— I agree.
'A full and frank exchange of ideas.'	— A punch-up.
'We performed to expectations.'	— We had a disastrous year.
'We had a disastrous year.'	— Actually we had a good year, but if we say so everyone will want a rise.
'Things are on the up and up.'	— They couldn't get worse.
'You deserve a fresh challenge.'	— You're fired.

7. The compleat office jargon.

Regrettably, there are a number of perverted individuals in the business world for whom even 'business-speak' is too straightforward. They do not meet people, they 'interface with human resources'. They do not serve customers, they 'implement end-user satisfaction procedures'.

The only way to deal with such people is to outdo them with jargon of your own. This can be concocted very easily by using the Functional Verbal Obscurity chart below. Simply take a word from each column, put them together and Bob's your progenitor's fraternal relation:

1	2	3
Optimum	Person-orientated	Scenario
Modular	Quantitative	Framework
Ongoing	Reciprocal	Contingency
Integrated	Corporate	Concept
Total	Multiphasic	Function

8. The compleat office statistics.

The final area of business language to master is statistics. Apart from impressing the jargon junkies, they can be used to back up any arguments and proposals you like. They can be adjusted and selected to create any impression — and you can even invent your own. As long as you throw in a couple of decimal places and keep a straight face, no one will be any the wiser.

You can also use statistics to cover up bad news or blunders. Since they are not read by at least 91% of people 82.6% of the time, and 87.4% of the other 9% do not understand them anyway, you can admit to anything without it being noticed.

9. The compleat tyrant and how to deal with him.

The organisation of many offices is rather like a septic tank — the really big chunks rise to the top.

If your boss is overbearing, however, there are two things you can do. The first is to get another job and then take revenge on your last day, as one chairman's assistant once did.

He had written all his superior's speeches for years without ever receiving the slightest acknowledgement for his excellent efforts. During his last week, yet another speech was demanded of him for a meeting of computer experts. The address he came up with went down very well for the first five minutes — until the chairman turned the page to find the words: "FROM NOW ON YOU'RE ON YOUR OWN, YOU OLD B*****D."

The second option is to get yourself promoted above your oppressor. A Spanish bank clerk once managed to do this, and he took immediate revenge on his ex-manager by demoting him to office-boy and making him copy out the local phone book by hand.

10. The compleat guide to promotion.

First tip: To get on these days, it isn't what you know or even who you know that counts — it's usually what you know about who you know.

Second tip: Be nice to the M.D.'s secretary and get on first-name terms with the security guard downstairs. The respect of both carries enormous influence.

Third tip: Look busier than you really are. Leave notes on people's desks during the lunch hour. Or try getting into work ten minutes early, throwing papers around your office, making yourself look scruffy and putting a sleeping bag in the corner. No one will doubt that you've been there all night.

Fourth tip: Read the next three sections.

11. The compleat office dress.

If your office clothes are way-out, the chances are that you will soon be on your way out.

Stick to something plain and conventional, preferably a two-piece suit. Three-piece suits are still acceptable for men, but three-piece suites tend to be rather bulky in the arms and seat.

If your company actually has dress regulations, do not be tempted to make a mockery of them. When Edgar Allan Poe was at West Point, the instructions for a public parade called for 'white belts and gloves, under arms'. He took this literally and appeared carrying his rifle, wearing belt and gloves — and nothing else.

He was expelled.

12. The compleat lift user.

This is not a list of dos and don'ts so much as a list of don'ts.

1. Don't look at anyone — they will feel threatened. Stare at the floor numbers like everybody else.

2. Don't talk to anyone — this is ten times worse than No. 1.

3. Don't you-know-what. (But if you can't help it, glare accusingly at someone else.)

4. Don't use the lift after a liquid lunch, as you will probably get in with the chairman. If you have also had a curry, the odds are 10 — 1 on that the lift will get stuck for three hours.

13. The compleat excuses for lateness.

No one can help being late occasionally — but if you are going to make a habit of it, vary your excuses.

Make sure that you can remember how many fake dental appointments and grandparent's funerals you are supposed to have been to — and bear in mind that if you tell the boss you had a flat battery, the next day you will have a flat battery.

Do not adopt the 'I couldn't care less' attitude of one persistent offender who was met by his irate boss as he wandered in at 11.30 one morning. "You should have been here at nine!" thundered his superior. "Why, what happened?" asked the latecomer.

The next day, he had a real appointment with the dentist.

14. The compleat rise negotiator.

If promotion is out of the question, try for a rise instead. Here, the basic rule is: never be afraid to ask.

In the 1950s, Tommy Docherty played alongside Tom Finney for Preston North End. Both received the maximum wage of £15 a week during the football season, but in the summer Docherty used to get £2 less than the great man. Docherty complained to the manager that this was unfair. "But you're not as good a player as Finney," he was told. "I am during the summer," replied the Doc. He got his rise.

15. The compleat job title.

If all else fails, improve your job title. After all, 'administrative communications executive' sounds far grander than 'post clerk'.

Letters after your name can also help — though if you are a B.A., beware of jealous non-graduates who may add R.M.Y. when you are not looking. You could always make up your own professional qualifications, but avoid obvious mistakes such as Practitioner in Research and Advanced Technology.

Incidentally, it is highly prestigious to be known in the office by your initials alone — though Val Doonican and Tony Blackburn may disagree.

16. The compleat business meeting.

Meetings are easily the biggest waste of time in office life — but there are ways in which you can turn them to your advantage if you can stay awake long enough.

By keeping the minutes (or as they should be called, 'hours'), you can make sure that you look good on the official record.

By taking the chair, you can see to it that you always get your own way. You can push through your own proposals by phrasing the vote in a particular way, e.g. "All those against, raise your hands and say, 'I resign!'" And if anyone suggests a scheme you do not like, simply point out that the same idea was once proposed by someone who was sacked in disgrace some years ago. You will kill it stone-dead.

17. The compleat business traveller.

Another drawback with office jobs is that the workers are generally in the same situation as a sledge-dog team — only the lead dog ever gets a change of scenery.

Every opportunity to get out of the office should therefore be seized with alacrity, whether it is a conference in Australia or paper-clip buying down the road.

Equipment failure is always a good excuse. Try claiming that you are going to complain about a hot drinks vending machine which is actually dispensing what people ask for and is therefore spoiling everyone's fun.

The biggest advantage of business travel, of course, is that you can claim for expenses.

18. The compleat expenses sheet.

Rule 1: Never let your expense account come to a total divisible by 5 or 10 — it will never be believed.

Rule 2: Be specific on small items and vague on the large ones. Describe in depth the purchase of a box of staples, but quietly slip in 'dinner for all staff'.

Rule 3: Check that the other four people in the taxi are not all going to claim the fare.

Rule 4: Get your sums right. After a trip to Canada in 1921, the American journalist Gene Fowler submitted a long and spurious claim for $1200, including the purchase of a team of huskies and even funeral expenses incurred after one dog had supposedly died. The claim was rejected — not because it was false, but because it did not quite balance. Fowler was not beaten, however. "Oh, I forgot," he said. "Flowers for bereaved bitch, $1.50."

19. The compleat decision-maker.

If you wish to avoid making a decision, either send a memo (see again section 4) or set up a committee to conduct an 'in-depth study'.

If you actually want to make a decision, toss a coin. Yes, seriously. When the coin is in the air, you will realise how you want it to land and the decision will be made. (If you then find yourself saying, "Er — best of three ...", that is the clincher.)

20. The compleat computer.

The decision to buy a computer for the office is straightforward enough. After all, they make the place look very smart and up-to-date, quite apart from making it operate more efficiently.

Deciding which PC to buy has always been more difficult — but even this has now been made simple by the introduction of the Epson PCe.

The PCe is a complete computing package which provides you with everything you need to start running all the leading business software immediately. It includes a mono screen, an AT-style keyboard and even ready-fitted plugs to cut out the slightest delay.

It is remarkably easy to use, though you can always keep that quiet if you want to look really clever in the office.

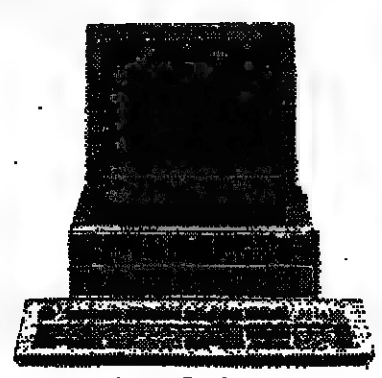
Mentioning that it has speeds of 10 and 4.77MHz, 20Mb of hard disk storage, a 640K RAM, 5 expansion slots and compatibility with the industry standard will doubtless impress the jargon-lovers — and if they actually understand all that, they will be even more impressed.

Meanwhile, the financial director will be pleased with the price of the PCe (£1199 RRP exc. VAT), bearing in mind that it comes from such a reliable name as Epson.

In fact, the biggest drawback of the PCe is that you will never be able to use its breakdown as an excuse to leave the office (as suggested in section 17).

For more information, either: write to Epson (U.K.) Limited, Freepost, Birmingham B37 5BR; call up Prestel *280#; or ring 0800 289622 free of charge.

We think you'll find the PCe the most compleat office companion you could ever wish for.



EPSON

TECHNOLOGY

A tide of controversy swells on the Severn

By David Fishlock, Science Editor

WHAT BEGAN *as Britain's* **boldest and best prospect for harnessing "benign and renewable" energy from natural sources could yet become the most contentious.**

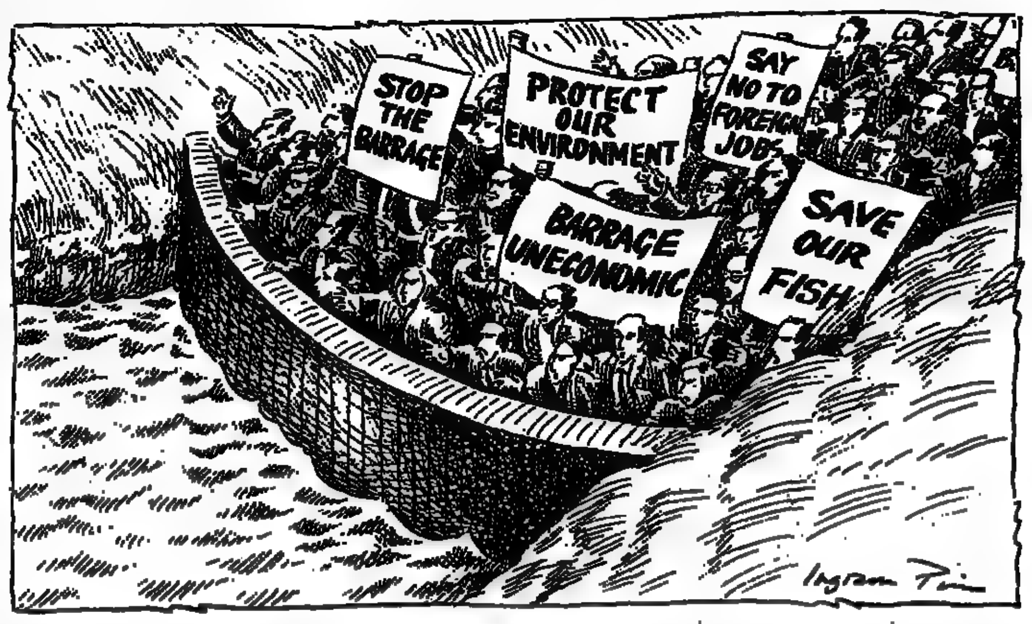
The Severn barrage, a scheme for harnessing tides in one of the most favourable locations anywhere in the world - the bell-mouthed Severn estuary - will have a turbulent passage if it comes to public inquiry in the early-1990s, as proponents plan. For where Sir Frank Layfield, inspector at the record-breaking Sizewell B inquiry into Britain's latest nuclear power project, was able to restrict it to just three issues - safety, economics and need - the Severn barrage inquiry will inevitably range more widely, invoking more interests.

Unlike Sizewell B, the project probably cannot make a clear-cut case on grounds of energy economics. On present indications, no single sponsor is likely to support it with the dedication the Central Electricity Generating Board devoted to Sizewell B, as the lead project for a series of new nuclear stations. The barrage will be a unique project.

The case for the barrage therefore depends on maximising a number of ancillary advantages, involving interests as disparate as transport, commercial shipping and leisure activities, as well as prospects for using the technology elsewhere.

This will be the big challenge for project management over the next 18 months, says Paddy Moorhead, project manager of the Severn Tidal Power Group, and who heads the £4.2m fact-finding exercise in "reducing uncertainties" about the long-debated barrage.

Moorhead - in contrast to some of his own managers - has no doubt that "free energy" from tides will prove too expensive to compete directly with electricity from nuclear or coal plants in Britain.



For him, the dominant question is whether the commercial and social advantages accruing over an area of 600 square kilometres (200 sq.miles), and affecting six counties of England and Wales with a population of 3.5m people, can tip the balance in favour of the barrage. Moorhead, a Sir Robert McAlpine engineer, manages a consortium called the Severn Barrage Development Project which is backed by seven British engineering companies with a commercial and technical interest in the scheme.

His budget comes in equal shares from three sources: seven parent companies, the CEGB, and the UK Department of Energy. Work began a year ago on a scheme to build a concrete wall 16km long, connecting Cardiff and Weston-super-Mare, and capable of generating 7,200 megawatts(MW) of electricity from 192 turbine generators set to harness the ebbing tide. At 95 per cent availability, the scheme could capture 12.9 terawatt-hours of tidal energy annually.

That looks like a very big exercise in trying to match supply to a cyclic public demand with big peaks each morning and afternoon. Far from conforming to the daily load cycle, the tides follow a lunar cycle which will shift peak production 50 minutes a day.

In terms of security of supply to customers, averaged over the year, the Severn barrage is disappointingly small, says Sam Goddard, the CEGB's director of system planning. It is only 1,100MW, the equivalent of a single Sizewell B-type station. This is all the CEGB could depend upon to help meet a peak power demand, he says. But the best estimate of capital cost at present is four times Sizewell B.

In fact, a large electricity supply system such as the CEGB's could in principle take greater advantage of the barrage. By taking tidal power as and when it is available, it could absorb the equivalent of between two and three nuclear units, Goddard estimates.

It would do this by stopping and starting its coal-fired plant, saving fuel costs equivalent to the tidal energy taken. For the system, it raises grid control problems akin to those faced during mineworkers' strikes, and puts an economic penalty on its coal-fired plant. On the credit side, says Goddard, is the prospective life of the barrage.

Its basic civil structure should be good for 50-100 years. The turbine generators will surely need renewing but recent examination of those used in the Rance pilot tidal scheme in France showed them to be in good condition after over 20 years.

For comparison, the CEGB is planning for only a 25-year life from its 7,000MW of advanced gas-cooled reactors. In the case of the barrage, it will have no waste disposal problem of the kind associated with both coal and nuclear plants. But it will need an extra 250km of overhead transmission line.

The past year's geological and engineering investigations in the estuary have convinced Richard McLaughlin, the project's technical manager, that the barrage will work. He is also convinced it will generate competitive power. But Goddard rates it more cautiously; about equal to wind power from medium-sized aerogenerators of 350,000-500,000kW output.

Other prospects for benign and renewable energy - including bigger aerogenerators of 1-3MW output - look less attractive at present. Although the barrage will be one-of-a-kind, the turbine generator technology will be modular and may be applicable elsewhere.

One estimate suggests that the Severn scheme represents only a third of the tidal energy that *might be harnessed round* Britain. Beyond saving some coal, for Moorhead success in promoting the barrage depends crucially on demonstrating that there are other significant advantages which could piggy-back on the project.

As Tom Shaw, his manager responsible for environmental aspects, puts it: "The Severn estuary at present contributes little to the adjoining communities, in relation to its size. This is simply because the tide is so big." As a water engineer, Shaw wants to get the tide under greater control in order to remove the constraints it is presently imposing, and to open up new commercial, social - even environmental - opportunities. A long-time enthusiast for a barrage, Shaw sees the scheme as "a very flexible beast indeed." His own enthusiasm for ancillary advantages has even prompted warnings that he is in danger of forgetting the primary purpose of the scheme.

Paddy Moorhead: Charged with reducing uncertainties about the ***long-debated barrage***

Currently, he is locked in conflict with environmentalists who complain that a barrage will upset if not destroy the breeding grounds of both birds and fish. Shaw contends that this is nothing more than part of the mythology surrounding the local mud. He asserts that the increased mobility of the water column that a barrage would bring will enhance the productivity of a river which today is comparatively sterile.

For example, Shaw claims that Chichester harbour, only a tenth the size of the Severn estuary, supports about the same number of birds in winter.

Last week, aboard HMS Beagle on a tour of the study sites along the path proposed for the barrage, Michael Spicer, UK energy minister responsible for renewable resources, announced an additional £300,000 for academic studies to "assist in reducing the environmental uncertainties of building tidal barrages."

"Let us marshall more facts, as soon as possible," Spicer urged. But bird lovers are not the only people likely to require placating as the project expands its horizons in search of a broader rationale.

Shaw forecasts that it could generate 20 times the employment the power side would require, but part of the price may be to bring overseas contractors into the project.

The CEGB says British construction costs are outpacing inflation, and Paddy Moorhead adds that his parent companies are well aware of the attractions of bringing in overseas firms, from their own joint ventures abroad. In any event, the project needs vital foreign technology. The turbine generator technology will come either from Switzerland or France.

One way of making the cost of the Severn barrage more attractive to private investment, says Paddy Moorhead, could be to have it built by an overseas contractor.

New foam looks set to mop up

BY PETER MARSH

MOP makers are in a lather about a new material that could cut the costs of soaking up household spills. The commotion concerns whether the new substance, based on artificial polyester foam, works *better than cellulose* sponges, the material in standard use in mops around the world.

Sponges used for *floor cleaning* and other household applications sell in quantities estimated to be worth several hundred million pounds a year.

The most popular sponges are based on cellulose, which is particularly good at soaking up water and other liquids. These types of sponges see particular use in the squeegee-type mops which every day see service in countless homes around the globe.

Challenging the dominance of the cellulose material - which is made by cooking cellulose in vats with the addition of chemicals - is a substance very similar to the polyurethane foams used in vast quantities in bedding and upholstery.

It is made by Caligen, a division of British Vita, a UK foam specialist. The company, based in Accrington, Lancashire, says it has come up with a foam which *is* cheaper than the cellulose material and which the company claims is not only *more durable but soaks up water better.*

Not all Caligen's claims for the material are undisputed. But Spontex, the world's biggest producer of cellulose sponges, is interested in learning more about the substance.

Trevor Beam, marketing manager at Spontex's US subsidiary, says he is not aware of any artificial sponges which work as *well as cellulose. "I would like* to see the details (about Caligen's product)," he says.

Spontex, a French company with annual sales of about £100m, is a leading force in the world floor-cleaning business. It sells its products - mainly sponges - to mop makers, such as Britain's two leading mop concerns, Addis, and Prestige, a unit of Gallagher, the cigarette company.

In the US, Spontex is the third biggest producer of cellulose sponges, after O-Cel-O and Nylonge. The annual market for all kinds of cleaning sponges in the US is estimated at about £40m, of which some 85 per cent is accounted for by cellulose materials.

Floor-goods companies, together with consumers, have *for many years* experimented with plastics foams as a way of soaking up spills. But the results have normally been poor, a result of such materials' poor propensity to take up water.

In recent years, many chemicals companies, Caligen among them, have attempted to add substances to the foam to increase its mopping potential. Polyurethane foam is based on polyester or polyether resin together with a class of chemicals known as isocyanates. By volume, it is over 90 per cent air, which is added to a mixture of chemicals by a frothing mechanism to produce millions of tiny bubbles.

The obvious attraction to the world's floor cleaning industry is that plastics-based materials can, in theory at least, be turned out relatively cheaply.

Cellulose sponges sometimes attract criticism on the grounds that - although their ability *to soak up water is second to none - they* have the nasty habit of going stiff if left out of water for long periods. They are also prone to wear and can rot if left in damp places.

Efforts at coming up with additives to increase water retention have focused on surfactants and other chemicals which increase the ease with which water can penetrate into the pore structure of a plastics foam.

These materials, called hydrophilic agents, act by adhering to the sides of the bubbles inside the foam and then by forming bonds with water molecules which make their way into the interior.

In the past, the efforts at implanting hydrophilic agents have been largely unsuccessful. For instance, the additives have become washed away after prolonged use, or the chemistry of adding the reagents has been too complex to permit cost-effective manufacturing.

In Caligen's case, the company has added to its basic foam a *surfactant based on an organic* chemical - beyond that the company refuses to divulge details about the material. The substance made by Caligen has undergone tests at Prestige, which is second to Addis *in* Britain's £15m-a-year mop market, with, the company says, favourable results. The company is still deciding whether to fit the material in its mops, which usually sell for a few pounds.

The polyester-based substance has also won the support of Plysu, another UK mop maker. Plysu is selling refill mop heads based on Caligen's hydrophilic sponges for about £2.

For the time being, at least, Addis, the market leader in Britain, is keeping its allegiance to cellulose sponge. Christine O'Neill, marketing director for housewares at Addis, says that she has still to be convinced about the mopping capabilities of the newer artificial sponges.

Larry Gregory, director for operational services at Fuller Brush, a leading US cleaning-equipment manufacturer, is similarly sceptical. He says he has yet to come across a polyester-based material which works as well as cellulose.

The claims for the hydrophilic mop have, however, impressed Christopher Marsay, a chemicals analyst with Kleinwort Benson Securities, a London stockbroker. He says the new material "is good news" for the floor-cleaning industry on the grounds that it holds out the promise of cheaper products which work as well as the more expensive cellulose.

As for British Vita, the work in the area of hydrophilic sponges fits in with its general ideas about moving in the direction of high-value sponge materials. For example, it is already adding carbon and other substances to standard polyurethane foam, either to make the material conducting (to help in applications such as packaging of electronic goods) or to increase fire-resistance.

London & Scottish banks' balances

as at August 31 1987

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	31,465		− 207	
UK private sector	116,552		+ 763	
UK public sector	4,627		− 77	
Overseas residents	15,501		+ 16	
Certificates of deposit	10,797		+ 601	
		178,942		+1,096
of which: Sight		78,321		+ 297
Time (inc. CDs)		100,621		+ 799
Foreign currency deposits:				
UK monetary sector	18,012		− 64	
Other UK residents	8,183		− 222	
Overseas residents	43,299		−1,639	
Certificates of deposit	4,595		− 65	
		74,029		−1,985
Total deposits		252,971		− 889
Notes in circulation		986		− 28
Other liabilities*		43,418		− 486
TOTAL LIABILITIES		297,379		−1,403
ASSETS				
Sterling				
Cash and balances with Bank of England:				
Cash ratio deposits	522		0	
Other balances	2,439		+ 40	
		2,967		+ 40
Market loans:				
Discount houses	4,482		− 364	
Other UK monetary sector	31,374		− 22	
UK monetary sector CDs	4,624		− 132	
Local authorities	1,120		− 17	
Other	5,789		+ 169	
		47,890		− 367
Bills:				
Treasury bills	414		− 242	
Other bills	4,217		− 708	
		4,631		− 959
Investments:				
British Government stocks	4,987		− 22	
Other	5,322		+ 1	
		10,309		− 21
Advances:				
UK private sector	118,339		+1,779	
UK public sector	342		− 29	
Overseas residents	6,125		− 99	
		124,806		+1,651
Other sterling assets*		16,737		− 551
Foreign currencies				
Market loans:				
UK monetary sector	17,570		− 28	
Certificates of deposit	432		+ 30	
Other	37,638		+ 15	
		55,639		+ 17
Bills		418		− 39
Advances:				
UK private sector	9,218		− 100	
UK public sector	763		− 15	
Overseas residents	15,522		− 457	
		25,504		− 641
Other foreign currency assets*		8,595		− 231
TOTAL ASSETS		297,379		−1,403
Acceptances		5,478		− 698
Eligible liabilities		138,552		+1,566

*Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

	CLSB groups £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Midland £m	National Westmnstr. £m	Royal Bk. of Scot. £m	Standard Chartered £m	TSB £m
LIABILITIES OUTSTANDING									
Sterling deposits	178,942	6,758	40,977	27,095	28,533	48,841	10,676	3,749	12,214
Change on month	+1,096	+ 100	+1,476	− 337	+ 215	− 516	+ 360	− 143	− 59
Foreign currency deposits	74,029	1,020	14,560	9,176	12,816	22,974	4,677	8,630	176
Change on month	−1,985	− 40	− 182	− 594	− 796	− 99	− 84	− 122	− 58
Total deposits	252,971	7,777	55,537	36,271	41,349	71,816	15,353	12,379	12,490
Change on month	− 889	+ 60	1,294	− 931	− 580	− 615	+ 275	− 274	− 117
STERLING ASSETS OUTSTANDING									
Cash and balances with the Bank of England	2,967	325	467	367	590	597	556	20	145
Change on month	+ 40	− 22	+ 64	+ 42	− 46	+ 30	− 35	+ 6	+ 11
Market loans—UK monetary sector	36,256	734	7,234	4,537	5,083	13,850	1,677	944	2,539
Change on month	− 387	+ 1	+ 284	+ 125	− 861	+ 259	+ 19	+ 19	+ 16
Other	11,524	126	2,652	1,361	1,079	3,161	837	285	1,824
Change on month	+ 20	+ 41	+ 300	− 464	+ 197	− 175	− 29	− 42	+ 220
Bills	4,631	224	1,120	1,302	82	850	380	65	632
Change on month	− 959	+ 39	− 596	+ 209	− 37	− 489	+ 27	6	− 173
British Government stocks	4,987	175	1,659	538	694	345	946	285	1,598
Change on month	− 22	+ 2	+ 201	− 35	+ 10	+ 15	− 12	− 225	
Advances	124,806	5,912	29,243	19,517	21,110	30,744	8,861	3,512	6,482
Change on month	+1,651	+ 90	+ 590	+ 190	+ 132	+321	+ 159	+ 26	+ 166
FOREIGN CURRENCY ASSETS OUTSTANDING									
Market loans and bills	58,107	575	11,334	7,282	7,765	19,594	3,217	6,349	236
Change on month	− 12	+ 5	+ 300	− 540	− 479	+790	− 49	− 44	− 86
Advances	25,504	216	3,800	3,527	6,301	5,605	1,779	3,297	80
Change on month	− 641	− 40	− 90	− 60	− 306	+ 5	− 30	− 153	− 9
ACCEPTANCES OUTSTANDING	5,478	282	1,515	363	1,186	1,298	492	235	124
Change on month	− 698	− 1	− 159	+ 22	− 155	− 289	− 27	− 39	− 30
ELIGIBLE LIABILITIES OUTSTANDING	138,552	5,980	31,366	21,339	28,674	33,861	8,256	2,801	8,984
Change on month	+1,566	+ 101	+ 360	+ 237	+ 86	+ 365	+ 134	− 85	− 222

MOTOR INDUSTRY – JOINT VENTURES

Kenneth Gooding charts the progress of a US vehicle-maker with a pragmatic approach to foreign markets

Ford profits from forging links with competitors

FORD'S EMERGENCE this year as the world's most-profitable automotive group owes a great deal to its pragmatic approach to problems outside North America and its willingness to link with competitors to solve those problems.

The company has become an arch exponent of the strategic alliance, going down a road that the rest of the industry seems increasingly likely to take.

In the past year Ford has arranged two particularly important ventures; in Latin America with Volkswagen, West Germany's biggest automotive group in terms of output; and in Australia with Nissan, second largest of the Japanese vehicle companies.

Such relationships would have been unthinkable only 10 years ago because the US anti-trust legislation not only prevents American companies from forming links with competitors in the US but also reaches out to touch their operations all over the world.

Therefore it has taken a change in attitude by the US authorities before either Ford or General Motors, its main rival and the world's biggest automotive group, could contemplate joint ventures or other forms of co-operation with other automotive groups worldwide.

For some years Latin America, with its exceptional volatility in demand and unstable economic conditions, was a flaw in Ford's otherwise almost unblemished worldwide profit profile. But Ford already was making progress.

Last year the group made net profits of $66m on a turnover of $2.46bn in the region, a remarkable recovery and the first time Ford had produced a profit in Latin America since the marginal $10m for 1982.

In 1985 the net loss was $57m on sales of $2bn and the previous year Ford sustained a $110m loss on a $2.4bn turnover.

Mr Philip Benton Jnr, executive vice president in charge of all Ford's non-North American operations, says his group considered carefully whether it should quit Latin America or stay.

"When we decided we would stick around, we looked for the best way to stick around."

That "best way" was considered to be a merger between Ford's operations in Brazil and Argentina and those of Volkswagen in a joint company in which the West German group has a 51 per cent shareholding.

The arguments for the venture go something like this: both companies installed capacity in Brazil, in particular, based on the assumption that domestic demand for cars would grow at a much faster rate than proved to be the case.

The lack of volume means that it takes much longer than in other industrialised countries to amortise the cost of new models. The car makers are also prevented from plugging Brazil into their other production centres around the world by stringent regulations which insist that Brazilian-built cars have a 90 per cent local content.

To compound the difficulties, the car groups also have agreed with the Brazilian Government to meet specific dollar export targets.

Mr Benton says of the new, merged company: "Ford and Volkswagen have the goal of making Autolatina pay for itself, finance its own investment and new products and so forth. Our joint management has the goal to make this a self-sustaining enterprise."

As a self-sustaining enterprise, Autolatina has 15 plants capable of producing 900,000 vehicles a year and employs 75,000 people.

It sells through 1,500 dealers and buys components and materials from 5,000 suppliers.

Last year Ford and VW vehicle operations in Latin America, including their associated credit companies, had sales equivalent to $4bn and they reckon that Autolatina ranks as the world's 11th-largest automotive company.

Its name will not appear on any car badges. Ford and VW will retain their own identity on the jointly-produced vehicles and will distribute and service them through their own separate dealer networks.

Mr Benton says Ford has not set any timetable for Autolatina to reach self-sufficiency. A great deal will depend on how fast and how far Brazil and Argentina move towards the economic integration and creation of a common market.

"In forming Autolatina we anticipated that some day Brazil and Argentina truly are going to get together and realise their potential as consumers as well as producers. And we intend to be major players at that time."

Mr Benton admits Ford will incur losses in Latin America again this year, mainly because of the economic malaise but also because of the one-off and substantial start-up costs for the new Autolatina company.

The fact that Ford has accepted a minority position in Autolatina has no particular significance, Mr Benton insists. It should not be concluded that Ford will gradually ease its way out of Latin America, leaving the field free for Volkswagen.

Suspicions that this might eventually be the case have been raised by a similar joint venture in the UK, set up in mid-1986, when Ford in effect handed its heavily loss-making medium and heavy truck business to Iveco, the Fiat-controlled group, which will have responsibility for developing all future products for the joint-venture company.

Ford's other big problem outside North America is in Australia, not because of substantial losses there but, once again, because of local government intervention.

Last year Ford's net earnings in Australia dropped dramatically, from a record A$103.5m to A$19.2m—but that was still better than any local rival achieved. Mr Benton says the Australian subsidiary will remain in the black this year.

"I think we will probably be the only company in the Australian industry to make money this year. Conditions in the industry are terrible and we just happen to be caught in the middle of the most extensive product changes we've ever had in Australia. Yet we're going to make money.

"And in the whole region, which includes New Zealand and Taiwan and Malaysia, we'll make money."

What is causing Ford concern, however, is that the Australian Government is forcing the car producers to rationalise because there are too many of them to make economic good sense.

Australia's five car producers have been told to make specific commitments either to increase output of their low-volume models through exports or to stop making them altogether.

Mr Benton points out: "This forces us to look for associations with companies which are already producing in Australia."

That rules out Ford's preferred partner in the region, Mazda, the Japanese company in which it has a 25 per cent shareholding. Mazda has no assembly operations in Australia.

A section of Ford's assembly plant in Sao Paulo, Brazil

Ford has been able to take top position in the Australian car league from General Motors-Holden because some years ago Ford handed over production of cars for the Asia-Pacific region to Mazda.

In Australia, Ford has been assembling the Laser, based on the Mazda 323 model, and the Telstar, derived from the Mazda 626, mid-sized car.

To gain the volume the Australian Government is insisting upon, Ford will stop assembling the Telstar and instead buy a similar-sized car from Nissan's Australian plant.

There are some industry observers who feel the links forged between Ford and Volkswagen in Latin America might eventually be enlarged, perhaps encompassing their operations in western Europe.

But Mr Benton says that in Europe any association Ford develops with another company is likely to be "product specific," that is for the joint development and production of individual products.

"It's obvious, for example, that if Ford has the need for an engine at a volume of only 100,000 a year that is not enough to justify a new engine plant. But if Ford gets together with Company X which needs 150,000, you could justify that kind of product-specific association."

At present there is only one such venture: Ford and Fiat are part owners of Van Doorne Transmissie, the Dutch company which developed and produced the automatic transmission for small cars recently launched in the Ford Fiesta and Fiat Uno models. Ford eventually will produce the transmission in France and sell some to Fiat.

Mr Benton suggests there is another project eminently suitable for the joint-venture approach. Ford of Germany has been pressing for a car which is smaller than the Fiesta and obviously has its eye on the Festiva, produced by Kia, the South Korean company in which Ford has a 10 per cent stake.

Ford is importing the Festiva to the US and has added it to its range in the Far East.

Mr Benton recalls: "Ford of Germany is only one of our many associates who have said 'Gee, wouldn't it be nice if we had the Festiva.'

"But that type of product, I would submit, is ideal for a product-specific co-operative venture with another European company. It need not be Asian.

"I think we have at least a 50-50 chance of coming up with a production base in Europe. It's not going to be Germany. But it sure as hell could be Portugal or Spain, a low-cost base like that. I think there is at least the opportunity to compete here agains the Japanese."

Mr Benos says Ford in Europe is "getting its costs in line to compete pretty well." This is showing up on the bottom line. Net profits from the European operations nearly doubled, from $326m to $559m, last year and "If we are successful in concluding wage negotiations in the UK without any serious disruptions, we will do outstandingly well this year."

Does this mean Ford of Europe will once again earn more than $1bn? "Well, everybody in Europe knows what the previous record was. Let me leave it at that."

SIEMENS

The European Top Ten in Computing

Company	Country	World-wide DP Rev ($ mil)
1 Siemens AG	W. Germany	4,387.1
2 Ing. C. Olivetti & Co. SpA	Italy	3,865.2
3 Groupe Bull	France	2,568.0
4 Nixdorf Computer AG	W. Germany	2,075.1
5 N.V. Philips Gloeilampenfabrieken	Netherlands	1,763.3
6 STC plc	U.K.	1,748.7
7 LM Ericsson	Sweden	1,344.2
8 Compagnie Générale d'Electricité	France	1,025.0
9 BASF	W. Germany	520.7
10 Mannesmann Kienzle GmbH	W. Germany	488.9

Source: Extract of the Datamation rank list, August 1987

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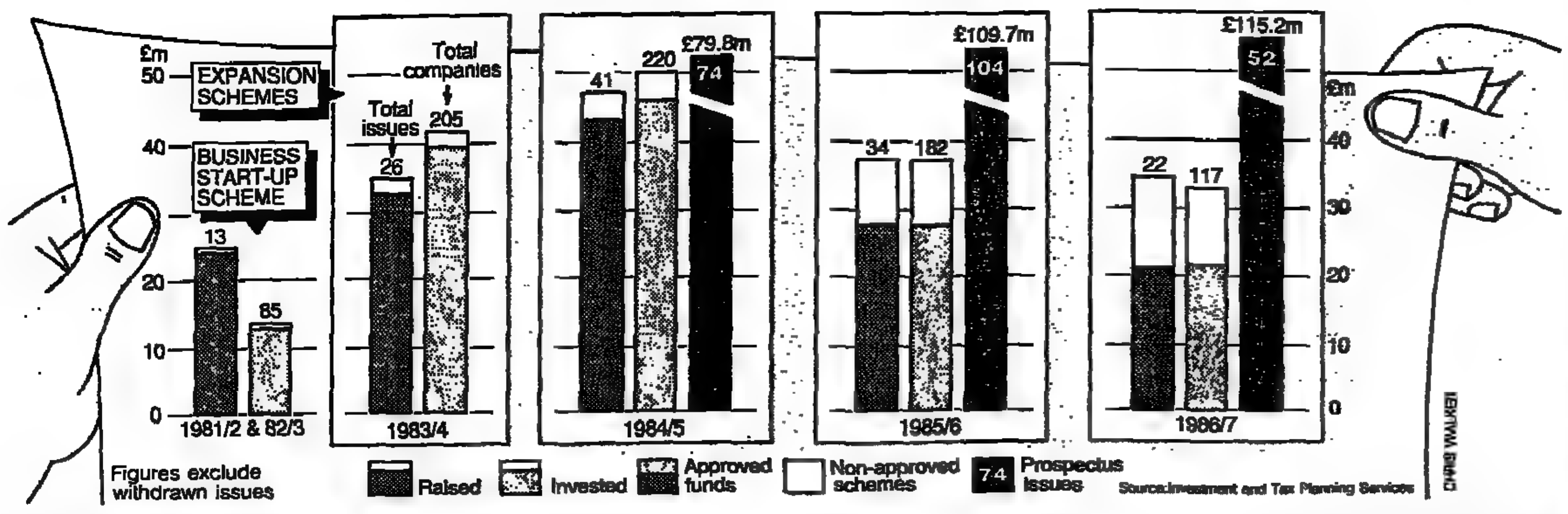

The early BES funds will soon be looking for an "exit route" for investors

Fruits of investment

Charles Batchelor on potential problems of BES funds maturing

IF YOU HAVE put money into a small company under the Business Expansion Scheme (BES) or its predecessor, the Business Start-up Scheme, you have probably been deluged with advice on how to make the best of your investment.

But if you are the founder or a director of one of these hopeful young companies you have probably given less thought to what to do when your investors want to sell after sitting out the five years needed to earn their tax break.

From early next year a growing stream of BES companies will be faced with deciding whether to float themselves on a public market, to sell out to a larger rival or choose an alternative method to replace their initial investors. Fund managers who have arranged BES finance estimate that as many as 450 smallish companies will be looking for an "exit route" for their investors over the next few years.

While this will give a further boost to the already hectic level of deal-making activity in the City what does it mean for the boards of the companies affected and how will they resolve the conflicts of interest which may arise?

"You don't wait for five years and one day to go by," says Dennis Fredjohn, chairman of Capital Ventures, one of the earliest promoters of Start-Up and BES funds. "In the fourth year the original sponsor would remind the company that it does owe an obligation to its shareholders."

The possibility of a conflict of interest arising is great, warns Fredjohn. "The only realistic route may be to sell to a third party but the management may not want to lose its independence to a large group. We have a couple of examples of that. It is forcing us to think through a variety of routes."

Charles Fry, chairman of Johnson Fry, the leading promoter of individual BES companies (as opposed to BES funds which invest in several companies) takes a robust view of management's responsibilities.

"We make it extremely clear to directors that it is a five year investment. We are committed to getting the investors out somehow even if it means selling a company which the entrepreneur feels is doing quite well."

But even Fry admits that this rigour has yet to be put to the test in a company where the skills of the directors and their staff effectively constitute the business.

The growing stream of company flotations and the success of the Unlisted Securities Market (USM) in creating "paper millionaires" has meant attention has focussed on businesses moving to a public quotation of some sort.

Charles Fry sees this as the most likely route for his proteges but the managers of BES funds, who have more numerous and generally smaller charges, feel a sale to a trade buyer is the more sensible route to take.

"We have been surprised at the interest from potential buyers," declares Douglas Hudson, managing director of Lazard Development Capital, the largest of the BES fund managers with £28m invested in 52 companies.

"People are prepared to pay a premium of between 50 and 100 per cent for small, profitable companies above what we would appraise it for the USM."

Geoquip, a £1m turnover company making cable for security systems, is probably too specialised and too small to think of a USM listing even though it has 4½ years to go before its BES period ends.

"We would probably make an attractive add-on to someone who already has other irons in the fire," says Peter Elliott, Geoquip's managing director. But he does not exclude the possibility of a merger with another company which might then create a group large enough to float.

A public flotation may not be suitable for the majority of BES companies but it could be the most profitable exit route for the larger more succcessful ones.

Charles Fry reckons that two property companies his investors have backed, CCC and City Gate, should make the USM without difficulty. "The bigger companies which start out with £5m of capital should be able to go public in three to five years," he says. "If they start with £150,000 that is a different ball game."

The Stock Exchange's Third Market, launched last January, should be tailor-made for the smaller BES company since, unlike the USM or a full listing, a Third Market quotation does not deprive investors of their tax break.

Unit Group, a manufacturer of timber pallets, was the first BES stock to obtain a listing and Lazard's Hudson says he is looking into a Third Market quotation for one or two of his smaller companies intent on public company status (though if a shareholder sells within five years he loses his tax break).

Some companies may decide to dispense with any outside involvement in their affairs by buying in their own shares - if they can make an offer which is attractive to their shareholders. This route has the advantage that it offers simplicity but also presupposes the company will be able to raise adequate funds.

For companies which do not appeal to an outside buyer or fail to make the grade for a public flotation there remain two slightly more awkward options. The BES fund manager could hold on to the shares or hand them over to the individual investors.

"The most likely outcome would be for us to carry on holding the shares," says Robert Smith, head of Charterhouse Development Capital, one of the leading BES fund managers. "Most investors would not want to be handed a share in a small company."

Distributing the shares to the individual investors would have considerable disadvantages for the company itself. "The last thing a company wants is several hundred shareholders with a very tiny percentage each," says Smith. "The administrative burden would be horrific."

Cambridge Life Sciences, which in 1982 was the first British biotechnology group to make a public share offering and the first to raise funds under the start-up scheme, has left its shareholders in something of a quandary.

It has yet to make a profit and finance director Bob Booth admits it is proving "a long hard slog" to create markets for its products.

Booth is hopeful that the company will be able to seek a flotation within the next three years but in the meantime it depends on an understanding group of shareholders who for the most part have stuck with it.

One option which would help promising companies to bridge the years between the departure of their BES shareholders and their reaching the point of being sold or floated is to bring in a second round of institutions.

Sinclair International, a Norwich-based manufacturer of fruit-labelling equipment, has persuaded 3i (Investors in Industry) to buy out the 100 or so investors who held 13 per cent of its shares through an early Capital Ventures fund.

"We decided to look for a long-term investor who could help us later with development capital to finance growth," says Peter Briggs, founder and managing director of Sinclair, which has annual sales of nearly £3m.

"3i recognised that even successful companies like Sinclair have not got there after five years," notes Capital Ventures' Fredjohn. "They see that there is an opportunity for the shares to appreciate further in value. I think Sinclair will go to the USM in another couple of years."

Paul Coleman, the executive in 3i's Cambridge office who is arranging the Sinclair deal, confirms that 3i is taking a close look at BES funds - many managed by former 3i staff - to see if there are other opportunities for investment.

The early years of the BES were characterised by bad news - as the unsuccessful companies went down. BES fund managers believe the good news will now come through as investors cash in on the successes. But for the people who run the companies some tough decisions lie ahead.

Pensions

Now is the time to opt in

Eric Short reports on the shifting onus spurred by the 1986 Act

UP TO NOW, a small businessman struggling to get his business off the ground in the UK has given very little thought to pension provision, either for himself or for his employees.

That has been left to the State, usually by default, since the businessman has to pay National Insurance contributions for himself and his employees.

However, the 1986 Social Security Act, which comes into operation next year, has changed this "no-need-to-bother" situation. The whole objective of the Government is to get people out of the State and into private pension provision; the Act does this with a carrot and stick approach.

The stick is simply that the Act cuts back drastically on the benefits provided by second tier State Earnings-Related Pension Scheme (Serps).

State pension benefits for employees retiring in the next century will be far from adequate, forcing employees to rely on private pensions.

The first of the carrots is the introduction of personal pensions, available to all employees to make their own arrangements, on top of or contracted-out of Serps.

Second, the Government has simplified administrative procedures for contracting company schemes out of Serps, principally to help smaller employers set up company pension schemes.

Finally, the Government is giving certain financial incentives to companies to contract-out of Serps and make their own provision.

The National Insurance rebate as from April 1988 for contracting-out of Serps has been fixed at a level of 5.8 per cent of relevant earnings - comprising 2 per cent off the employees' contribution and 3.8 per cent off employers' contributions.

But for employees contracting-out for the first time, the Government is paying an extra 2 per cent incentive contribution into both personal pensions and company schemes.

So what choices does the small businessman have? If he does nothing, he is placing the responsibility for his employees having an adequate pension solely with the employees themselves.

This by itself is not necessarily wrong or heartless. The employee can make his own arrangements with one of the providers of personal pensions - life companies, unit trusts, banks and building societies - and take the responsibility for the ultimate outcome.

But small businessmen can take positive action by setting up their own company pension scheme with a life company, without incurring any extra cost over and above their current NI costs, let alone an open-ended financial liability, with little extra administration and no involvement in the investment of the assets.

The Act will allow money purchase-based schemes (as well as salary-related schemes) to contract-out of Serps. These are known as Comps (Contracted-Out Money Purchase Schemes).

Under the money purchase principle, contributions (both employer and employee) are invested and the accumulated cash used to buy a pension. The ultimate pension depends on a variety of factors - investment returns, the level of the market and annuity rates at the time of retirement.

Fully portable

Thus the pension cannot be forecast in advance as a percentage of final earnings as with salary-based schemes, but the level of contributions is, crucially, under the of the employer's control, while the benefits are fully portable if the employee changes jobs.

Thus the employer can set up a Comps for his employees paying into it no more than the contracted-out NI rebate. This should produce far higher benefits for all except the older employees (50 or over for men and 45 or over for women) at no extra cost.

The schemes being designed by the life companies operate primarily from payroll and National Insurance returns which the employer has to maintain in the course of his business. And for little extra cost, the employer can provide cash benefits and spouses' pensions should the employee die while still employed.

The final choice for small businessmen is whether to pay extra contributions for some or all of his employees.

The main problem with taking such action is that it requires considerable involvement by the employer, but a number of industry-wide schemes are being set up. These offer good terms through economies of size.

What about pensions for the small businessman himself?

If he is self-employed, then the only change brought about by the Act is to replace retirement annuity contracts for the self-employed by personal pensions. The main difference is that with personal pensions the investor can only take a lower portion of the benefits (up to 25 per cent) in a tax-free cash sum, with an overall maximum of £150,000 per arrangement.

However, retirement annuity contracts are available until next July. So if the small businessman wants to take advantage of these contracts, with their higher cash sum benefit, then he needs to take action before then. But he must ensure that the contract can accept increased contributions in the future and that it is written as several policies so that the £150,000 limit is applied to each policy.

If the small business is a corporate body, then recent legislation has introduced several changes, some of them radical, from the existing pension provisions for controlling directors.

An executive pension arrangement, either self-administered or with a life company, enables the small businessman not only to provide for retirement, but to transfer profits from the company, thereby cutting his tax bill, to himself through the pension scheme, taking out the benefits as tax-free cash plus a pension.

However, an executive pension scheme is still a highly tax-efficient operation, even though the changes have severely cut back on the amount of benefit that can be provided.

The small businessman is usually concerned about tieing up assets that cannot be touched, but the executive pension scheme has the facility to lend money back to the business.

Indeed, the executive pension scheme can provide an alternative source of finance for the small business - usually on an automatic facility basis - with no need for justification or even collateral as with a bank overdraft.

However, the small businessman has to be prepared to spend a lot of time and trouble understanding and setting up such arrangements. Personal pensions are so much simpler.

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For further details contact: The Joint Administrative Receiver C. W. Nield at the following address:-

Cork Gully
Cork Gully, St James's House, Charlotte Street, Manchester M1 4DZ
Tel: 061-236 5245
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Fax: 061-228 2664

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For further details contact: The Joint Administrative Receiver M. J. Moore at the following address:

Cork Gully
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Tel: 0532 457332
Telex: 556230
Fax: 0532 424009

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For further details contact:
The Joint Administrative Receiver C. J. Hughes at the following address:

Cork Gully
Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ
Tel: 01-606 7700 ext 3229
Telex: 884730
Fax: 01-606 9887

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All enquiries should be addressed urgently to the Administrator:

Cork Gully
C. J. Barlow FCA, 66 Queens Square, Bristol BS1 4JP
Tel: 0272 277165
Telex: 449652

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For further details contact:
The Joint Administrative Receiver C W Nield at the following address:—

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For further details contact:
The Joint Administrative Receiver C. J. Hughes at the following address:

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Turnover over £1 *million*
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THE ARTS

London Galleries/William Packer

In praise of older artists in this age of youth

It is not so much the myth as the romance of early promise and precocious talent that puts us all so much on the side of the younger artist. So we must hope that all the prizes, bursaries and schemes which abound will bring on the butterfly Gaudiers, Modiglianis, Picassos and Hockneys of the future. Good luck to the young but the more serious point is that a good young artist may grow into a good old one.

This simple truth can too easily be masked by an unconsidered preoccupation with youth. Good artists may not always live on to produce their best work in old age but the rule of thumb is that their work is likely to remain interesting. Too often scholarships and criticism have been notoriously reluctant to acknowledge this. The received opinion until recently, for example, on the later work of de Chirico, Derain, Renoir and even Picasso, was that in each case there had been a demonstrable falling-off but we are now taking a longer and more sympathetic, more understanding look at this work.

Though not necessarily elevating them into such exalted company, three artists with work currently on show in London variously make the point. John Piper at 83 is still very much at work, and his latest exhibition now occupies Marlborough Fine Art in Albemarle Street, W1 (until October 16). *Georgian Arcadia* is a retrospective loan exhibition put on to mark the golden jubilee of the Georgian Group, with which, through his consuming interest in the landscape and architecture of the great houses of England, Piper has been associated over many years.

The earliest work dates from 1939, and it was during the war and immediate post-war years, when his romantic vision was at its most intense, that he produced his strongest and most particular work. That said, however, not the least remarkable feature of the show is the consistency and vigour of expression and freshness of vision that he has maintained throughout, when confronting material that evidently speaks to him so strongly.

Piper has always been among the most popular of contemporary artists, for even in his earlier days when his work was more obviously experimental, it was never intimidating, obscure or difficult. Its spirited technique and decorative flair saw to that, to say nothing of the natural romantic charm of his subject matter. And he has always been accommodating and adaptable, always prepared to turn his hand to stage design, stained glass, architectural illustration. He has been one of the great artist journeymen of our time, the favourite modern artist of anyone who ever paid a subscription to the National Trust. And who but he, in the famous story, would have won the sympathy of the late King George for the rotten weather he enjoyed at Windsor?

Naturally this has all worked against him critically, for who can be popular, decorative, versatile and serious at once? And, to be fair, there have been times when he has showed work that was hurried, perfunctory and ill-resolved. Sometimes he has simply produced and shown too much indifferently, for it is the common fault of the compulsive artist to be his own worst editor.

But we have only to see his work at the *Marlborough*, selected and refined into a concentrated and cogent statement, to see at once just how good it can be. The essential theatricality of the imagery may be as much in evidence as ever, the decoration as effective and the technical trickery flaunted as gleefully, but these very factors — the commonplaces of critical aspersion — are now translated into positive virtues. How consistent the experience is of this personal world, how true the vision, and above all how well, even now, the work is done. We can only admire and enjoy, in Whistler's phrase, the experience of a lifetime.

★

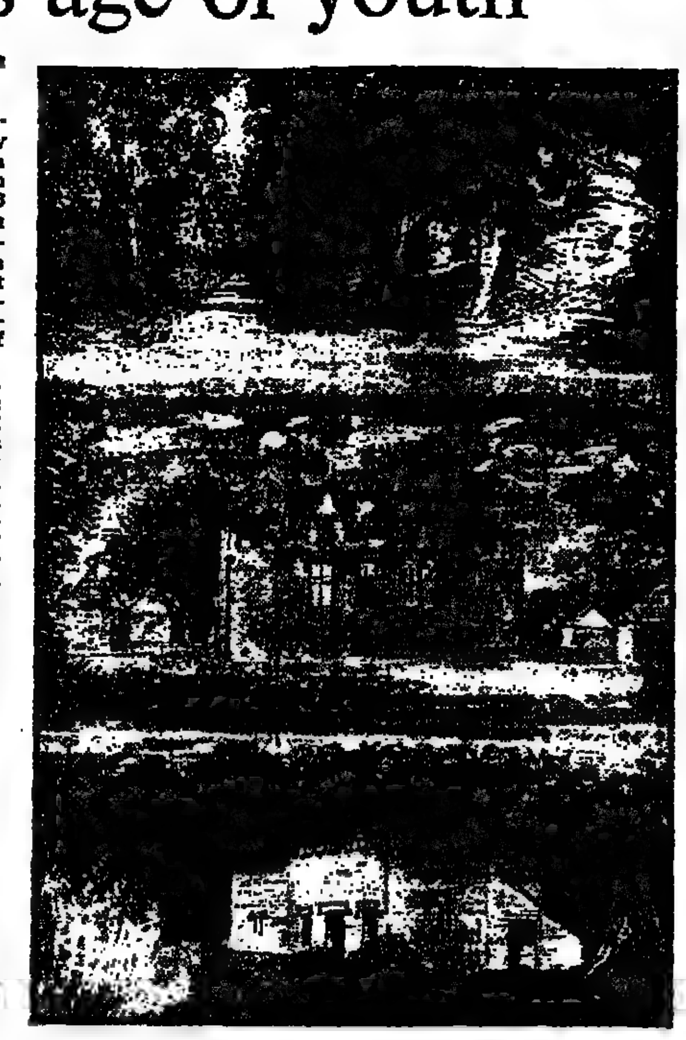
Down the road at the Albemarle Gallery is a small show of late work by the veteran French painter, Jean Hélion (until October 8), who at 83 has lately been inhibited from painting only by failing eyesight. He and Piper have been friends since the 1930s, brought together by a common commitment to abstraction in the objective classical tradition of Mondrian and van Doesburg.

But while Piper was soon to move back to a romantic figuration, Hélion long remained fixed in his reputation as an abstract painter. But he too returned to figurative painting, and to the human figure in particular, which he worked up in an entirely idiosyncratic manner that reflects the cross-currents and counter-influences of the School of Paris in his time. Sympathetic to cubism and constructivism, his work also looks towards surrealism and expressionism, and it is this last characteristic which has given his large later compositions, that so loosely sit between Leger and Matisse, their current relevance.

What we find at the Albemarle is hardly the conclusive evidence of a great talent. Several of the canvases are mere starts and preliminary essays. Others, though fully and robustly stated as compositions, are taken only so far as is strictly necessary and then left off with a disarming simplicity. There is no superficial finesse and finish to the figures on the balcony, or to the rooftops of Paris, or to the rough table-top still-life; but for all its apparent off-handedness and there-you-are directness, there is strength, confidence and definition. These are an old man's paintings in the best sense, unfinished and speculative but full of experience.

★

The third show is at Annely Juda Fine Art in Tottenham Mews, W1, where the major autumn exhibition is a choice retrospective of the work of two major post-war British constructivists: Mary Martin, who died in 1969, and her husband, Kenneth Martin, who died in 1984 at the age of 79. Both artists were variously painters and sculptors who explored the ideas and principles of systematic constructivism. Their separate but related development as artists is followed succinctly, from beginnings in painting and drawing moving through into relief and maquette, and only occasionally onto a larger, more public scale.



Detail from "Swangrove, Badminton," by John Piper, 1973

After the death of his wife Kenneth Martin moved away from sculpture, which had come to preoccupy him almost entirely, and returned to painting of a rigorously achieved and systematic randomness which, in his extreme old age, won him a new and international reputation. Working by lines and numbers upon graph paper and amplifying this complex material onto canvas, he produced, in his extended *Chance & Order* series, images that were unforced and entirely original. They tease the eye in the strangest way into all the contorted imaginings of mental spillikins, in which fraught satisfaction is both soothed and contradicted by the simple beauty of the painting itself. In his own words, "The object which is created is real . . . (and) sets out to represent no object outside the canvas, but to contain within itself the force of its own nature."

"Fait d'Hiver," 1983, by Jean Hélion

V & A Museum to re-open on Fridays

The Victoria and Albert Museum is to re-open on Fridays from November 6 for the first time since 1977, when staff cuts imposed by the then government forced the one-day-a-week closure.

The Chairman of the Museum's Board of Trustees, Lord Carrington, said the re-opening had been made possible by the success of the V & A's Voluntary Donation Scheme, which was instigated in November 1985.

Haitink & Uchida/Festival Hall

Max Loppert

Bernard Haitink and the London Philharmonic—that unbeatable combination—have returned to Shostakovich's Tenth Symphony. With this work the same conductor and orchestra had previously achieved one of the highest highlights of the 1986 Proms; it was therefore specially gratifying to find the interpretation unstaled, the excitement unspoiled. On Sunday the orchestral articulation was every bit as pithy, as rhythmically alert, as controlled alike in passages of bare simplicity and explosions of frenzied brassy violence, as it had been a year ago in the Albert Hall.

Perhaps, in the dry, unresonant acoustics of the Festival Hall, it was harder to carry and sustain the long, slow, naked expanses of the opening movement with exactly the same sense of charged urgency; even so, the solo playing of flute (Jonathan Snowden), clarinet (Robert Hill), bassoon (John Price), and horn (Nicholas Busch) was of wonderfully eloquent quality.

And Haitink once more laid out the symphonic structure in a manner equally ready to acknowledge and to contain the extreme psychological states patterned therein. His performance of Shostakovich in general, and of the E minor Symphony in particular, remains a marvel of the conductor's art: lucid, passionate, rigorously unsentimental, honestly emotional. It was, therefore, a wrenching experience, as any fine reading of any important Shostakovich score must be—the ambiguities of the musical message and the masterly tautness of the musical form need to be matched and answered, and by Haitink and the LPO they were to the very fullest.

In the first half, Mitsuko Uchida presented herself as an ideal performer of the Schumann Piano Concerto. The tone and touch were of perfect weight for this work, diaphonously light, capable also of brave assertion where the need arises. The manner remained at every moment alert to the quietly poetic nooks and crannies of Schumann's writing, without ever becoming sticky or portentous (the instinctive judgment of *rubato* and *accelerando* was spontaneously acute). There was breathless rapture in Uchida's first movement, gentle meditation in the Intermezzo, and merriment in the finale, yet the essentially domestic scale of the whole was at no point inflated. A few stumbles and false flourishes were a small price to pay. The orchestral accompaniment — partnership is a better word— was of ideally perceptive character: light, fleet, firm.

Haydn festival/Wigmore Hall

Dominic Gill

The hallmarks of the Haydn chamber music festival in which the Lindsay String Quartet were the protagonists all last week have been enthusiasm and informality. The standard of playing at the final recital on Sunday was not by any means always up to the Lindsay's best: but at the end of such a gruelling week, one wasn't inclined to blame them overmuch. To judge from conversations overheard during the interval, some found Peter Cropper's chats before and after each work apt and charming, while others found them mildly intrusive. Their notable virtue—which the Songmakers' Almanac, at least, might take to heart—was an exemplary brevity.

The joke in the very last bars of Haydn's quartet op. 33 no. 2 was perhaps the most neatly turned paragraph in the whole of the Lindsay's performance—and Peter Cropper gave it to us again at the end, with additional explanation and commentary, just to make sure that no one had missed the point. That was maybe overdoing it; but there were some effective pages of playing, too, which neither called for nor received any sort of verbal treatment—in that extraordinary opening vivace of op. 50 no. 2 especially, bursting at the seams with vivid contrapuntal and rhythmic propositions; and in the wonderful andante hymn in the very last quartet of all, Haydn's op. 77 no. 2, which the Lindsay sent soaring to the skies.

I was sorry they did not quite bring off the brilliant finale of op 55 no. 3 — it is a thrilling tour de force when it doesn't fall apart; and in that same quartet, too, I should have liked to hear a little more made of the first movement's mesmerising wealth of lyrical invention. But if the Lindsay's fingers occasionally flagged, their spirit never did. The finale of op 77 was driven to its climax with splendid energy; and the mezza voce delivery of the trio in the minuet of op 77 had uncommon finesse, deathly quiet, wholly unsentimental, a characteristic and imaginative Lindsay touch.

Mozart Festivals in Bartlesville, Oklahoma, and New York

Bartlesville is a small town in Oklahoma, about 50 miles from Tulsa. Here in 1897 oil was discovered. Here Frank Phillips, for whom Bartlesville's main street is named, founded Phillips Petroleum. Modern oil pumps, I find, are not the giant derricks familiar from the movies but charming, stubby, attractive little things, looking rather like Victorian toys. Around Bartlesville they chug away unobtrusively in green prairies where the buffalo roam.

There are two remarkable buildings: Frank Lloyd Wright's late masterpiece the Price Tower (1955), an angular, elegant skyscraper (Wright apparently likened it to a tall tree that had escaped from the forest); and the Bartlesville Community Center, a 1700-seat theatre with admirable acoustics, ringed with restaurants, meeting rooms, gallery space, terraces, designed by W. W. Peter of Taliesin Associates, the Wright-successor firm.

The zipcode abbreviation for Oklahoma is OK. For nine days in summer Bartlesville becomes the home of the OK Mozart International Festival. The artistic director is Ransom Wilson, still best-known probably as a flautist but with a rising (and well-deserved) reputation as a conductor. He is a sensitive and lively young musician, and technically more proficient than some of the many instrumentalists who have also taken up the baton. The resident orchestra is the Solisti New York, a chamber orchestra of crack players. Resident soloists this year, combining in chamber music and concertos, included the violinist Mark Pesnakov, the trumpeter Stephen Burns, the cellist Nathaniel Rosen, and the pianists Samuel Sanders and Robin Sutherland.

I was in Bartlesville to assist in the first production of a new version I'd made of Mozart's *The Impresario*, and so as an interested party I'll say no more than that I thought it admirably cast, with Beverly Hoch and Candace Goetz as the rival prima donnas, Robert White as the tenor, Stephen Hanan (fresh from the London *Misérables*) as the Impresario, and Nicholas Deutsch as producer. In the second half of the bill, each diva sang a whizzing Queen of the Night aria. Miss Hoch gave a limpid, melting account of "Vorrei spiegarvi, o Dio," composed for Aloysia Lange, the first Mme Herz; and Miss Goetz a strongly characterised account of "Mi tradi," composed for Caterina Cavalieri, the first Mlle Silberklang. Mr White sang an "Il mio tesoro" nicely modelled on John McCormack's famous record. An aria composed for Valentin Adamberger, the first Vogelsang — K.420, K.431, or an *Entführung aria* — would have been more strictly consistent programming.

For the visitor, it was a festival of contrasts. We stayed at the *Phillips Hotel*, where the Wall Street Journal arrives with breakfast and a Dow Jones print-out is left in the room each evening. We ate (well) at Dink's Diner or at a family-run Pie Shop. One concert was given in a lakeside setting at the Phillips ranch, outside the town. The Community Center was alive all day with various festival activities. Oil towns are not exactly booming nowadays, but Houston has completed its new opera house on schedule, and in Bartlesville, Mozart was thriving.

★

In New York, NY, the Mostly Mozart Festival filled long summer weeks. Avery Fisher Hall is a large, unfriendly place, but two fairly rare events drew me. One was a concert performance of *Il re pastore*. (Mozart probably wrote the piece for concert performance, though Wexford has shown that it can happily take the stage.) It was marked by excellently clear, attractively bright singing from Hei-Kyung Hong, in the title role. If Miss Hong acquires a command of words to match her command of timbre, she should become a notably Mozartian. Michael Myers was an eloquent Agenor, Jerry Hadley an ungraceful Alexander, pushing for volume. Kaaren Erikson sang Tamiris' touching "Se tu di me fai dono" admirably.

The other event was Handel's *Acis and Galatea* in Mozart's orchestration. It was sung, unhappily, in German translation. Mozart, working from a copy of a Walsh score, didn't change Handel's melodic inflexions, which match the original text better than they do Swieten's unrhymed German. Mozart added flutes, clarinets, a second bassoon line, and horns to Handel's score (originally compassable by five singers and seven players). He added just a touch or two of his own— notably some extra wind doodles in "O ruddier than the cherry." The result is hardly any improvement on Handel, and interesting mainly to students of classical orchestration.

Erie Mills sang Galatea, John Aler Acis, and John Shirley-Quirk Polyphemus. Both *Il re pastore* and *Acis* were conducted by Gerard Schwarz, the music director of Mostly Mozart. Once first trumpet of the New York Philharmonic (and superb player of the big solo in Elliott Carter's Symphony of Three Orchestras), he is now a much-employed conductor. His performances tend to be uncharacterised, rather stodgy in gait, unlilting in rhythm. "Galatea, dry thy tears" seemed more like a Passion finale than a dance of cheerful consolation.

Andrew Porter

Guy Mitchell/London Palladium

Antony Thorncroft

Guy Mitchell holds a pivotal position in the history of pop music. In the 1950's he had a string of hits of the public bar in the pub on a Saturday night variety — "She wears red feathers" and "Pretty little black eyed Susie" should stir a few memories—which harked back to communal singalongs of the War.

Then around 1957 Elvis Presley exploded onto the scene and formula singers like Mitchell were inexorably tied to the older generation, even though he was under thirty at the time. For a bit Mitchell fought back gamely and his cover version of "Singing the Blues" managed to outsell the cover-cover version of Tommy Steele. Mitchell found refuge in drink and became a folk memory, at one time being forced, as therapy, to appear in panto in Scotland.

But suddenly on Sunday night he was back again at the London Palladium. On the last occasion the Queen was in the royal box; this time it was Mrs Mitchell who received fullsome tributes from a performer who spends almost as much time hammering drink as he does hammering his vocal chords. It was very much a private occasion, the evening having been arranged by the Guy Mitchell Appreciation Society, who nicely judged the public mood. Many of his fans were thanked personally. Every poorly aimed attempt at a joke was rapturously received. The world had somehow turned back to 1954 at the Hammersmith Palais and honourable men were crooning "My arms cling to you" to girls in floral dresses.

Mitchell was not in bad voice, a little furry perhaps, but quite moving in the lower numbers. Attempts to get girls from his three-strong backing group to join him for a twirl tended to show up the amateurishness of the show, but it was all very endearing and reviving. Mitchell, in his cowboy suit and among friends, projects a wholesomeness and integrity quite missing from contemporary pop. He deserves more than a footnote in the pop music books.

Saleroom/Antony Thorncroft

Country price boom

The 1987-88 saleroom season spluttered into life yesterday with Christie's starting a two-day dispersal of the contents of Orchardleigh Park near Frome in Somerset. While the weather remains, hopefully, clement, both Sotheby's and Christie's are planning a minor rush of house sales in the next few weeks. They invariably produce some ridiculously high prices, especially among the minor lots where locals compete extravagantly for a memento from the Big House. Dealers, too, like the good provenance of buying a painting or a bureau directly from a family home.

Orchardleigh Park fulfils all the criteria perfectly. It was built by William Duckworth in the late 1850s in the Elizabethan style popular at the time and the contents are being dispersed following the death of Arthur Duckworth. Some of the 1,000 lots on offer were acquired by William to furnish the house and the bills remain.

Thus the large giltwood overmantel originally supplied by Morants, the firm in the news earlier this year through its servicing of Great Tew in the 1840s, sold for £3,850 as against its original price of £54. But the highlight yesterday was the pictures. Richard Green, the London dealers, paid £66,000 for a view of the Rialto in Venice by Sickert which had carried a top estimate of £16,000. It is regarded as the prime version of this composition and made 420 guineas when sold at Christie's in 1930.

Other pictures to do well were a Bonnard of Claude Terrasse playing the piano which sold for £60,500, and a portrait of a young boy attributed to the circle of Murillo which made the same sum. When last handled this, in 1875, had sold for just £3 5s.

Perhaps the most interesting lot in the auction was a mid-Victorian cabinet by Morant on top of which E. W. Cooke created a triptych of Venice. The artist described it as his "capo d'opera." It sold to the dealer R. A. Lee for £60,500, as against a top estimate of £20,000.

Arts Guide

September 18–24

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Busoni's rarely played Doktor Faust features Lucy Peacock, Kenneth Riegel and Andreas Schmidt. Tannhäuser in Kurt Horres' production stars Janis Martin, Sharon Sweet and Spas Wenkoff. Manon Lescaut has Pilar Lorengar, George Fortune and Giorgio Lamberti. The week also offers Boris Blacher's Preußisches Märchen.

NEW YORK

New York City Opera: The week features Turandot, La Rondine, The Marriage of Figaro, Casanova and La Bohème. Lincoln Center (870 5570).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera production of Wagner's Tristan und Isolde directed by Jürgen Gosch, with George Gray (Tristan), Deborah Polaski (Isolde), Jard van Nes (Brangäne) and John Bröcheler (Kurwenal), Hartmut Haenchen conducting the Concertgebouw Orchestra (255 455).

LONDON

Royal Opera, Covent Garden: The revivals of Tannhäuser, Falstaff and La Bohème scheduled for the opening weeks of the Royal Opera season are threatened by a dispute between management and chorus: Check theatre for details. (240 1066).

Music

LONDON

Tamas Vasary, piano and director with the Peterborough String Orchestra. Haydn, Mozart and Larsson. Queen Elizabeth Hall (Tue). (928 3191).

London Symphony Orchestra and Chorus conducted by Lorin Maazel, Mahler 2. Barbican Hall (Tue). (638 8891).

London Symphony Orchestra conducted by Lorin Maazel. Mahler 5. Barbican Hall (Thur).

London Philharmonic conducted by Klaus Tennstedt with Maurizio Pollini, piano. Webern, Beethoven and Brahms. Royal Festival Hall (Thur). (928 3191).

PARIS

Orchestre Philharmonique de Montpellier Languedoc-Roussillon conducted by Cyril Diederich, Montpellier Opera Choir, Orfeo Catalo Choir: Berlioz (Tue). Salle Pleyel (4561 0630).

Orchestre National de France conducted by Georges Pretre, Barbara Hendricks, Florence Quivar, Jean-Philippe Courtis: Benvenuto Cellini in concert version (Wed). Theatre des Champs Elysees (4720 3637).

Ensemble Orchestral de Paris conducted by Philippe Herreweghe, Frederic Pelassy, violin, Choeur de la Chapelle Royale, Collegium Vocale de Gand: Mendelssohn (Thur). Theatre de la Sorbonne (4562 6757).

Nicanor Zabaleta, harp, Monique Frasca-Colombier, violin and alto, Pierre-Alain Biget, flute: Mozart, Debussy, Parish-Alvars, Bach (Tue). Saint-Severin Church (4563 7955).

ITALY

Milan: Teatro Alla Scala: Rafael Fruhbeck de Burgos conducting Haydn, Ravel with pianist Alicia de Larrocha, and Bartok (Wed and Thur). (80 91 26).

Florence: Teatro Comunale: Israel Philharmonic Orchestra conducted by Zubin Mehta, Prokofiev and Tchaikovsky (Mon and Tue). (277 92 36).

NETHERLANDS

Rotterdam, Doelen. James Conlon conducting the Rotterdam Philharmonic, with Bella Davidovich, piano: Riedstra, Tchaikovsky, Berlioz (Thur). Recital Hall: The Netherlands Brass Quintet: Ewald, Forsyth, Bach, Pachelbel, Scarlatti, Rossini (Tue). (413 2490).

Utrecht, Vredenburg. Ferdinand Terby conducting the North Holland Philharmonic: Bernstein, Milhaud, Bizet, Smetana, Rossini, Borodin (Wed). Antoni Ros-Marba conducting the Netherlands Philharmonic, with Alexander Rudin, cello: Mozart, Haydn, Schubert (Thur). (31 45 44).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting, Gary Hoffman 'cello, David Evitts baritone, William Neil organ with Oratorio Society of Washington directed by Robert Shafer. Carter, Piston, Copland, W. Schuman (Tue); Mstislav Rostropovich conducting. Toch, Mozart, Berlioz (Thur). Kennedy Center (254 3776).

NEW YORK

Carnegie Hall: Vienna Philharmonic. Leonard Bernstein conducting. Christa Ludwig mezzo-soprano. Bernstein, Mozart, Sibelius (Thur). (247 7800).

Merkin Hall (Goodman House): Roger Press piano recital. Franck, Robert Casadesus, Rachmaninoff, Chopin, Prokofiev (Mon). 67th w. of Broadway (362 8719).

New York Philharmonic (Avery Fisher Hall): Sir Colin Davis conducting. Berlioz (Thur); Sir Colin Davis conducting. Sibelius and Vaughan Williams (Tue). Lincoln Center (874 2424).

CHICAGO

Chicago Symphony (Orchestra Hall): Sir Georg Solti conducting, Murray Perahia piano. Bartok, Schumann, Tchaikovsky (Thur). (465 8111).

TOKYO

New Japan Philharmonic Orchestra conducted by Seiji Ozawa with Viktoria Mullova, violin. All-Brahms programme. Suntory Hall (Thur). (573 3588).

Yomiuri Nippon Orchestra conducted by Heinz Rogner. Strauss, Ravel, Brahms. Tokyo Kosei Nenkin Hall. Shinjuku (Tue). (270 6191).

Kammer Orchester Berlin, conductor Heinz Schunk; oboe, Jurgen Abel. Bach. Hitomi Hall, Showa Women's College, Sangenjaya (Thur). (461 2590).

Traditional Japanese: Shin-nai Bushi story-telling accompanied by shamisen, banjo-like instrument. Soloist Tsuchiyo Fujimatsu. Mitsukoshi Theatre (Wed). (241 3311).

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Tuesday September 22 1987

Hasty reform of education

THE British Government has not yet shown signs that it has thought deeply enough about the great education reform bill that is to be put before Parliament by Mr Kenneth Baker, the Education Secretary. It should step back and think again about some parts of it, even if that means introducing a short bill now and a rather longer one later. This is not to say that root and branch reform is unnecessary; on the contrary, an improvement in the quality of Britain's publicly-financed schools is a prerequisite of sustained economic recovery. The danger is that over-hasty reforms of the structure of education will prove short-lived. An important opportunity would have been wasted.

There is no need for any appreciable postponement of the introduction of a national core curriculum, although it is unfortunate that the consultation process has been rushed through during the summer. (A short extension of the September 30 deadline for receiving comments would be helpful.) The Government will have to rely on the extensive consultations that must follow the passage of the bill as a means of persuading teachers to co-operate with the new system. Meanwhile, the core curriculum has been accepted in principle by both the Labour Party and the various bits of the Alliance. It has strong public support. Once introduced, it should go some way towards raising the standard of what is taught in the classroom.

Assessment methods

What is not so clear is the extent to which children should be tested and by whom. Mr Baker has proposed tests at seven, 11, 14 and 16 and the Government is apt to stress that the purpose of these assessments is to seek out children who need extra help. There is also talk of year-end tests, under which a child who fails to reach a certain standard is kept back. It is undoubtedly important to measure the standard of attainment of schoolchildren—and to see how teachers are performing.

Yet to meet the first of those two objectives, the best method would be assessments by class teachers; to meet the second an outside examining body would be required. Which is it to be? Assessments and holding-back failures work well enough in most other west European countries, but that is because they are generally part of a quite different tradition in which children attend either technical, vocational or academic schools. Britain has its comprehensives (which are not designed to accommodate failures) and, currently, little head of steam in favour of a tripartite system. The Government has not yet provided convincing evidence that it has thought all this through.

Opting out

Another area in which it appears to be making policy on the run is in its proposal to let schools opt out of local authority control. At face value, this is a simple extension of "parent power," by means of which consumers of education will be able to exercise a preference. But during the election campaign the Tories suggested that not many schools would opt out and that when they did they would retain their present character. They would become centres of excellence, examples to the rest (perhaps similar to the "magnet schools" that Mr Baker is currently visiting in the United States).

Now the Prime Minister has indicated that she expects wholesale opting out, on the analogy of the sale of local council houses to sitting tenants. She also seems to favour the idea of these newly-independent schools becoming more selective. There is a world of difference between the establishment of a few magnet schools and a wholesale creaming-off by thrusting middle-class parents. It looks as if this part of the Government's policy is designed to break the alliance of city-centre Left-led councils with elements in the teaching unions. That would be a very large sledgehammer to crack a nut, however much the nut needs cracking. It might damage the most vulnerable children by leaving them in sink schools.

Introducing market principles to the choice of school might be workable if everyone could have equivalent purchasing power, as with educational vouchers. But opting out is only a part-market system, which might be more destructive than none at all. It is another area in which further thought is required.

Inching towards Gulf peace

THE Iran-Iraq War is seven years old today. It was on September 22 1980 that it began as a full scale war with Iraq's attack on 10 Iranian airfields, swiftly followed by a three-pronged ground invasion. Up to then it had been a political and diplomatic crisis accompanied by border clashes but in these, too, Iraq had taken the initiative, sending troops into Iran on September 2 and then formally renouncing the 1975 border treaty on September 17.

From the start, Iraq sought to present itself as fighting Iran on behalf of the entire Arab world. It named the war after the great Arab victory over the Sassanid Persian dynasty at al-Qadisiya in the seventh century AD. It claimed that revolutionary Iran was an accomplice of "imperialism and Zionism," whose purpose was to divide the Arabs on religious lines and distract them from their conflict with Israel.

If indeed the Iranian Revolution had been prompted by occult forces with that objective (an improbable but popular version of the ubiquitous Middle East conspiracy theory), Iraq's attack on Iran certainly played into their hands. The war has both exacerbated divisions within the Arab world and diverted its resources — political as well as military — from the Palestinian problem.

Arab fears

Early in the war Iraq succeeded in convening an Arab summit on the territory of its ally Jordan and in obtaining a muted expression of solidarity. But this meeting was boycotted by several Arab states, most notably Syria which at that moment seemed close to invading Jordan.

The Sunni rulers of Saudi Arabia and the Arab Gulf states feared and still fear encirclement by a Shi'ite conspiracy, which, at least in their imagination, stretches from Iran through the Iraqi opposition to the Syrian-backed faction in Lebanon, embracing some of their own subjects on the way. They have never again been willing to take the risk of convening an Arab summit without Syria, and since 1983 the rift between Syria and the Palestine Liberation Organisation has prevented any Arab summits being held at all. On the face of it, therefore, Sunday's agreement to hold another Arab summit in November, specifically to discuss the Iran-Iraq war, represents a significant concession by Syria and certainly also reflects the improved relations between Syria and Jordan.

Limited capacity

One should not take it as read that the summit will meet on the agreed date, still less that the Syrian President will attend it in person if it does, though he will be under great pressure to do so. Even if he does, if the state of the war then remains as it is today, it is more than likely he would simply repeat the performance of his foreign minister and use his weight to prevent any significant action against Iran being taken.

The harsh fact is that the capacity of the Arab League to coerce Iran into making peace is very limited; and in practice that is also true of the UN Security Council, for all the recent impressive show of unity by its five permanent members. As the Soviet leaders are known to have told the Arab League delegation a fortnight ago, a resolution imposing sanctions on Iran could perhaps be passed but would be most unlikely to work. Iran's sources of supply are too diverse. Her own arms industry is growing and her capacity to substitute human resources for military technology is well known.

At the same time it is clear that Iran is not enjoying either the war or her present diplomatic isolation. Her efforts to avoid condemnation by the Security Council have been strenuous and the appearance of her president in the General Assembly today shows how seriously, despite all past rhetoric, she takes the international organisation. Her offer of an "undeclared ceasefire" while responsibility for the war is investigated may not be satisfactory to Iraq but surely offers some ground for diplomacy to work on. The pressure on Iran should be kept up but her bona fides in seeking terms for peace, however suspect, should not be dismissed out of hand. No other course offers any more credible holpe of a solution.

Philip Stephens looks behind the agenda of this week's IMF/World Bank meetings

Private smiles, public unease

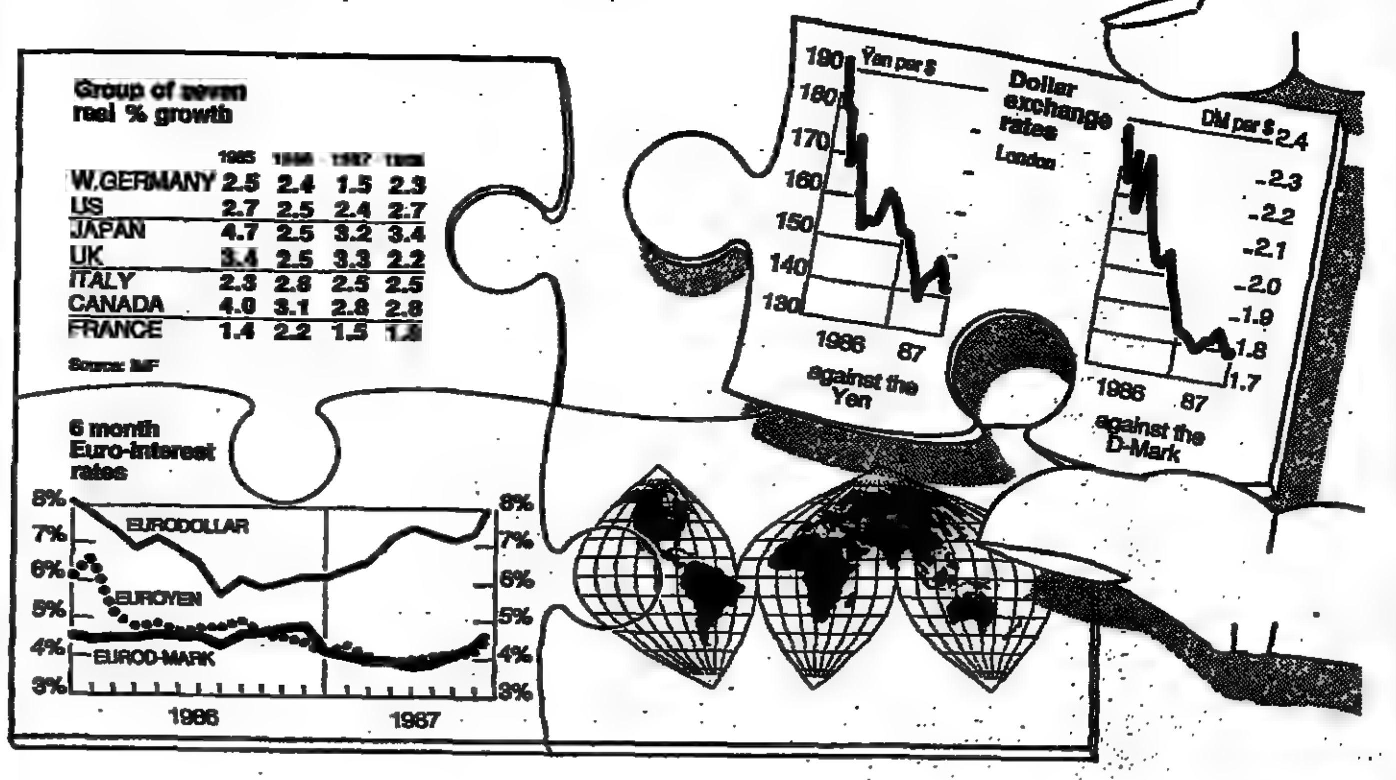
REASSURANCE will be the name of the game for the major industrial nations at the annual meetings of the International Monetary Fund (IMF) and the World Bank.

As finance ministers and central bankers gather in Washington later this week, there is little sign of the acrimonious disarray which marred last year's gathering.

The issues and the risks remain much the same: sluggish growth, unsustainable trade imbalances between the three largest economies, volatile currency markets and a still-bleak outlook for heavily indebted nations.

But since last year's public slanging match between the US and West Germany, governments have tilted in the direction of co-operation rather than conflict. The aim this time around will be to persuade the outside world, the financial markets — and occasionally themselves—that prospects are brightening.

The public message will be that economic growth is picking up, that February's Louvre accord to underpin the dollar remains firmly in place and that the debt cirsis is manageable. If the world's economic problems have not been solved, then a plausible case can be made out that the industrialised nations will manage to muddle through.



The IMF is forecasting that growth in the industrialised world will pick up fractionally to just over 2.5 per cent next year. That is below the rate needed to make a significant dent in unemployment in industrialised nations or to improve the outlook for developing nations. But it is in the right direction.

A stream of official statements from Tokyo and European capitals makes it almost certain that the Group of Seven — the US, Japan, West Germany, France, Britain, Italy and Canada — will reaffirm the Louvre agreement. "The exchange rate has played its role for the time being," says Mr Karl Otto Poehl, president of West Germany's Bundesbank. "The main instrument for further adjustment (of trade imbalances) must be appropriate domestic policies."

Despite his frustration with the slow pace of economic growth in Europe, Mr James Baker, the US Treasury, will probably have little choice but tacitly to agree. A public disavowal of the commitment to exchange rate stability would send the dollar crashing on foreign exchange markets.

As Mr Alan Greenspan, new chairman of the US Federal Reserve, implicitly acknowledged earlier this month when he raised the discount rate to 6 per cent, the corollary of a sliding dollar woud be a sharp rise in interest rates. Mr Greenspan, says one European official, realises that "a debtor country has to behave like a debtor country"—it is reliant upon foreign capital to finance its budget and current account deficits.

In private the deliberations between the Group of Seven are likely to be less sanguine.

If the framework of the Louvre remains in place, the cracks in its foundations are visible. "We need to put some cement into the agreement," comments the head of a European finance ministry. "But it is hard to see what can be done in Washington."

There is a question mark over how long Mr Baker can commit himself to a stable dollar in the face of $16bn (£9.7bn) a month trade deficits and the still strident chorus of protectionism on Capitol Hill.

West Germany's growth rate looks like following the traditional pattern of turning out well below official forecasts. For 1987 it is projected at just 1.5 per cent, next year 2.3 per cent.

Paralysis in US domestic policy making in the run-up to next year's presidential elections is expected to bring with it a reward rise in the US budget deficit.

On one level, as Mr Nigel Lawson, Britain's Chancellor, insists, February's accord has been a success. After an initial surge in the yen's value, exchange rates have been more or less stable since April.

This stability has been underpinned by closer co-ordination of monetary policies. As US interest rates have risen inresponse to higher inflation, West Germany and Japan have put aside monetary targetry and kept their rates low.

"Managed floating," however, has not been quite as easy as Mr Lawson suggests. Dollar purchases by central banks so far this year total roughly $90bn, financing the bulk of the US current account deficit over the same period.

Japan, whose intervention runs in tens of billions, and the UK, which has bought more than $15bn, have been the most active. Almost unnoticed, countries like Sweden and Spain have also built up their dollar reserves. The Fed initially intervened heavily, but more recently has been reluctant to buy its own currency.

The overall pace of this activity cannot be sustained indefinitely, however, without seriously disrupting monetary policy in Japan and Europe. West Germany's Bundesbank has acknowledged as much by eschewing substantial dollar purchases in favour of small, but highly-publicised, forays into the market.

But from the start, organisations like the IMF and the Organisation for Economic Co-operation and Development were highly sceptical about whether the policy pledges went far enough.

Their medium-term forecasts suggest that, on the basis of present exchange rates and policies, the US current account would still show a deficit of close to $100bn a year in the early 1990s. That prospect would involve a serious risk of some combination of an uncontrolled dollar slide and an accelerating lurch into protectionism by the US.

> 'Even if the entire Japanese spending package is added to domestic demand, it will be barely half what is needed'

There is also a more fundamental problem. The pact to stabilise the dollar rested on the analysis that if three major economies adopted the appropriate policies, exchange rates were broadly in line with economic fundamentals.

More simply, the 40 per cent devaluation of the dollar since its peak in 1985 would be enough to gradually erode the US trade deficit and the Japanese and West German surpluses, as long as Washington took steps to cuts its budget deficit and Tokyo and Bonn stepped up their economic growth rates. Stability would allow time for resources in the US to be shifted into export industries and for Japan and West Germany to become less reliant on export-led growth.

Evidence has emerged of a healthier pattern of trade. In volume terms, US exports have been rising by more than 10 per cent this year well over double the rate of increase in imports. Japan is experiencing the reverse, with exports relatively flat and imports growing strongly. Despite its sluggish growth rate, West German trade flows are also moving in the right direction.

The scale of the improvement, however, is not nearly enough to compensate for the terms of trade loss the US has suffered from its currency's decline. In other words, exports are not rising fast enough to offset the higher price of imports.

And if the dollar's devaluation has brought US industry closer to its average competitive position of the last 25 years, structural changes have severely limited its scope for recapturing markets.

The debt crisis in Latin America has led to a $13bn deterioration in the US trade balance with the region since 1980. World oversupply of many agricultural products has curtailed export opportunities for US farmers, and newly-industrialised countries in Asia have stolen a march in many market for manufactured goods.

Against that background, Mr Baker can do little more than step up the pressure on Japan and Europe to provide expanding markets for US products.

In Japan, the omens are mildly encouraging. The Y6,000bn (£25.4bn) package of public spending increases and tax cuts, announced during the summer, should give a further push to the recent pick-up in domestic growth.

But there are doubts that Japan will grow fast enough to make a convincing dent in its huge trade surplus. Mr Fred Bergsten, director of the Washington-based Institute for International Economics, calculates that even if the entire package represents an addition to domestic demand, it will be barely half what is needed.

In the private deliberations in Washington, West Germany will also be in critical focus.

According to Mr Poehl, West Germany's economy is growing at around 2 per cent a year. "It is too low," he concedes, "too low to improve the employment situation substantially, and too low to really reduce the current account surplus."

He sees little scope, however, for any further easing of monetary policy: "Inflation is at a tolerable level, but it cannot be ignored."

The consensus outside West Germany is that the Bonn Government should stimulate the economy through a more expansionary fiscal policy. Mr Gerhard Stoltenberg, finance minister, will insist, however, that he can go no further than the DM 14bn (£4.7bn) of tax cuts scheduled for next January.

He will emphasise the need for Washington to follow up the prospective $60bn cut in the 1987 US budget deficit, to $160bn, with a further sizeable reduction in 1988. The problem is that few think that such a move is politically feasible, and most accept the recent forecast from the Congressional Budget Office that the shortfall is likely to rise again.

None of this provides a particularly auspicious background for stable exchange rates.

The odds are that, despite public protestations to the contrary, the Group of Seven will accept some shading down in their informal ranges for the dollar—if for no other reason than to reflect faster inflation in the US than elsewhere.

This expected focus on the dollar should not obscure the implications for developing and heavily indebted nations of mediocre growth rates in the industrialised world.

Brazil's moratorium on debt repayments, the setback suffered by President Raul Alfonsin in Argentina's elections and the virtual cessation of commercial bank lending will underline the fact that if the debt crisis is controllable, it is also intractable.

Falling world commodity prices represented a terms of trade loss of $100bn for the developing nations last year, at a time when new private lending came to a virtual standstill. Despite low borrowing levels and lower interest rates, many indebted countries saw the ratio of their debt service payments to exports rise even further.

There is now a risk that the decision by US and UK banks to increase their balance sheet provisions against sovereign debt will lead to further hardening of their position in future reschedulings. That would coincide with increased evidence of a steady erosion in indebted nations of the political support needed to push through the structural adjustment programmes at the heart of the industrialised nations' present debt strategy.

Of course, these nations will emphasise some bright spots. Mr Kiichi Miyazawa's promised debt initiative will mark a long-overdue recognition by Japan of the increased obligations which accompany its status as the world's largest creditor nation. Mr Lawson can expect some modest headway for his proposals for debt relief for the poorest African nations.

But, in private at least, they will be forced to concede that just as the present pace and pattern of growth is not enough to solve the inbalances between industrialised nations, it also offers little prospect of a durable solution to the debt crisis.

Men and Matters

Hugel makes smoke

Charles Hugel, aged 59, the newly-appointed chairman of RJR Nabisco, is the first outsider to head the US tobacco and foods giant that anyone at the Atlanta-based company can remember.

Even more unusual, he will do the job on a non-executive basis while continuing to run his own large engineering company.

All in all, the past few days have been busy for RJR. First its Reynolds tobacco unit (maker of brands like Winston and Camel) has intrigued the industry by revealing that it is developing a cigarette which can be lit but does not burn down, and which produces smoke composed largely of glycerine and water. It takes to a new level the tobacco makers' efforts to stall the anti-smoking lobby.

The product has been worked on in secret during the tenure of Paul Sticht, who is now retiring as chairman at the age of 69 after serving on the board of the old R. J. Reynolds Industries since 1968.

Hugel's own company is concerned with power-generating systems for big utilities rather than with consumer products. It is the Connecticut-based Combustion Engineering.

People at Combustion Engineering are now speculating that there might be a "cross-fertilisation of ideas" with RJR.

What will that mean? Perhaps power station chimneys painted white with an orange base, and "I'd walk a mile for a Camel" written down the side.

Five-year-olds

The speed with which a futures exchange sorts out who's traded what with whom each day is always a matter of pride.

But this week it will also be a matter of grim necessity at the London International Financial Futures Exchange if members and staff are to fulfill a rigorous social calendar.

Liffe is five years old on September 30. To mark the occasion, it is holding no fewer than five parties on successive nights on its trading floor under the dome of the Royal Exchange, its distinguished home in the City.

"We thought that as we're in the business of selling risk management instruments, we should take some risks ourselves," says Michael Jenkins, chief executive since Liffe's foundation.

Each day, as the raucous cries of the pit traders dressed in their coats of many colours, fade away when the market closes at 4.30 pm, an army of movers and cooks will invade the exchange to prepare it for the festivities. A special floor will be laid over the pits each evening, and then removed for the next day's trading.

Meanwhile, the back office staff will be working furiously to get all the day's trades matched and cleared by the 7.45 pm deadline — a tall order if there should be a surge in volume, as their could be, for example, when the Bank of England holds its second experimental gilts auction tomorrow.

The atmosphere will be informal. "No speeches, but a little surprise at the end of each evening," promises Brian Williamson, Liffe's chairman.

Friday will be rserved for a free-for-all bash for 750 people with "entertainment" — the nature of which is a secret that even I have not been able to penetrate.

If you haven't been invited yet don't despair. Liffe traders can be relied upon to operate a futures market in invitations.

Dollar music

Thrilling the Japanese is no easy task.

But Michael Jackson, the reclusive American pop star, has done a lot more for correcting the US trade deficit than most other Americans who have visted Tokyo recently.

Pumping out his music in monster-size stadiums around Japan, Jackson is estimated to have grossed $12m for nine evenings work.

Jackson, like Madonna, who was in Japan earlier in the year, chose the country to start a world tour because the strong yen now makes the take irresistible.

The Japanese also make an ideal opening audience for a Western star because they really don't care how good or bad the performance is. "We tend not to be so critical. You seldom see bad reviews in Japan. Very few of the fans can understand the words. We enjoy the spirit," says Yoshio Katsumata, a manager at Nippon Telegraph and Telephone, the tour's local sponsor.

The Jackson concerts were sold out in Japan within hours of going on sale, making them about as popular as NTT shares. The telecommunications giant contributed upwards of $2m to have its name plastered on the Jackson posters, attempting to boost its image further with young people.

Why do the Japanese love this 29-year-old eccentric so much? "Japanese people love and admire the Western culture. But a car is no longer a symbol of the West. We can make cars. But we cannot produce a Michael Jackson," says Katsumata.

Fans were encouraged to obtain their applications for Michael Jackson tickets by purchasing a telephone card. The company estimates it has sold more than Y200m-worth of cards by the exercise alone.

Grouse line

Happy hunters on a Scottish grouse moor will soon be able to testify that British Telecom does, after all, care about the public.

BT was all set to lay its new 45 kilometre optical fibre telecommunications cable along the seabed between Scotland and Northern Ireland when it discovered a snag. The cable landed on the Scottish coast on the edge of a grouse moor and the local landowner — a man of some weight in grouse-shooting circles — did not want his birds troubled as the shooting season approached.

Ever eager to please, BT came up with an innovative solution. It sent a boat to the suppliers, a GEC subsidiary on the River Thames, cut a 2 km section off the cable, shipped it to Scotland and installed the section well in advance of the grouse-shooting.

The ship will return for the rest of the cable. This will then be joined out at sea to the 2km section, with no chance of either the grouse or the hunters being disturbed.

This exceptional piece of customer relations has added a cool £100,000 to the cost of the project, according to one insider's estimate—which has not been officially confirmed by BT.

A lot of telephone boxes could be repaired for that.

Last resort

Framed notice seen in a Whitehall office. "Don't blame yourself until you have considered all other possibilities."
NO 16—8/81

Observer

Letters to the Editor

Financial accountability in schools

From Rosalind Levacic.

Sir,—While Frances Morrell (September 16) makes a number of sensible observations regarding the management of schools by central and local government, she is also guilty of exaggeration in stating that schools will become virtually autonomous. Had she reported the Government's consultative papers more accurately she could not have sustained this assertion.

Under the current proposals those schools that do not opt out of LEA control (and there is nothing to indicate that this will not be the vast majority) and which have more than 200 pupils will gain a measure of financial independence; they will be able to control their own budgets for current school-based expenditure. The budget allocation to its schools however will be determined by the education authority, with the approval of the Secretary of State for Education. It an LEA considers that a school is not managing its finances properly it is proposed that the LEA can take over the school's financial management. How a school spends its budget allocation will be considerably circumscribed by the proposed national curriculum which will determine a school's staffing and other resource requirements. The LEA will decide, within a range, each school's staffing complement. While governors will be responsible for appointing teachers, each appointment will require LEA approval.

All this does not add up to "virtual autonomy." The financial delegation proposals are based on the premise that a school will allocate its resources more efficiently than a more distant bureaucracy because it is better informed and has greater incentives to do so. Cambridgeshire schools operating financial delegation saved two per cent of their previous budgets (£30,000 - £40,000). The spectre, raised by Mrs Morrell, of amateur governors unable to organise effectively the painting of their schools is not borne out by the way voluntary and aided schools have always been managed by their governors who enjoy greater responsibilities than their counterparts in the maintained sector.

These new proposals, as well as the Education Act (1986), also increase the public accountability of education authorities by requiring them to publish information on how much they spend on each school. Up till now this key piece of information has been veiled in ignorance and secrecy in most authorities. No doubt some local authority bureaucrats still hanker for maintaining their power over the allocation of public funds to schools and reinforcing it with a monopoly of information.

Rosalind Levacic,
Open University,
Walton Hall,
Milton Keynes, Bucks.

Taking the UK into the EMS

From Professor L. Pressnell.

Sir,—I query Samuel Brittan's attempt (September 17) to diminish anxieties about the possible rigidity of the EMS in his otherwise admirable article, "Marriage versus cohabitation."

Mr Brittan writes that "British governments can always leave the EMS—as they left the gold standard—in emergencies . . . ." This is surely an unhelpful analogy. Suspension of the GS occurred only twice in its 214 years, in wholly exceptional war and postwar emergencies (1797-1821 and 1919-25), before its abandonment in the "Once in a century" crisis of 1931. The sort of emergencies to be faced under EMS seem to occur every few years or oftener. The classic gold standard treatment for such emergencies evolved as a mix of Bank Rate, manipulation of financial markets, and so-called "moral suasion" exercised by central banks on other financial institutions. The residual rigidity, however, remained, and the resumption of something like it under EMS seems for many to be the sticking point that Mr Brittan has tried to circumvent with his analogy.

A better approach to the problem might be through the Anglo-American discussions, inspired by British determination to avoid gold standard-style rigidity, before and during the Bretton Woods conference of 1944 that led to the formation of the International Monetary Fund. It was the initiative of the then Governor of the Bank of England, Lord Catto, that secured the ultimate retention of exchange rate flexibility under the Fund's original article IV, section 5. If subsequent experience proved disappointing, might we nevertheless seek to learn from that, rather than inadvertently assume away a very real difficulty?

Professor L. S. Pressnell,
Boundary House,
St Stephen's Hill,
Canterbury, Kent.

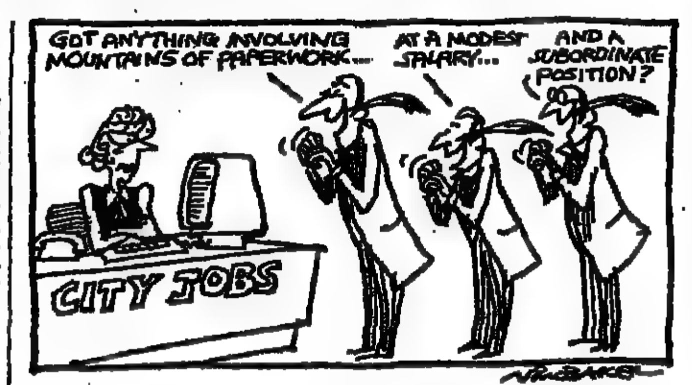
From Mr F. Law

Sir,—The very considerable advance that has been made towards the creation of a single economic and financial base in Europe, does raise one's hopes that the Prime Minister will finally agree to take the UK into the exchange rate mechanism of the EMS.

The other nations in the Community, and in particular the West German Bundesbank, finally agreed to a system of greater inter marginal intervention, to support weak currencies before they fall to their floor in the exchange rate mechanism of the EMS.

Surely the risks involved for the UK are minimal now, compared to the advantages. It would also be the final proof that Mrs Thatcher's stand towards Europe is one of a very much more positive nature.

F. S. Law.
61 Cadogan Sq, SW1



The boys in the back room

From Mr E. Hempton

Sir,—The article "Twilight of the silly season" (September 15) takes a rather pessimistic view of current stockbroking. As Mr Dixon quite rightly asserted firms pre Big Bang were interested in recruiting the higher fee earners, thus achieving better service, higher turnover and ultimately higher profits. They failed, however, to realise that in order to construct stable structures a solid foundation is needed. In stockbroking it is obvious what this foundation is, the back room boys.

It is all too apparent the consequences of this mistake, mounting paperwork, delayed settlements and employment agencies with book loads of vacancies for experienced clerks.

An obvious solution would be to recruit eager, ambitious inexperienced clerks who are hungry for work. They would be employed at modest salaries and this would have the net result of relatively cheap, efficient labour. I'm sure that the mountainous paperwork would soon subside.

It must be clear by now that not everybody can be in positions of authority, subordinates are essential for industries to flow efficiently and profitably.

Edward A. Hempton.
73, The Vale,
Heston, Middlesex.

Serious private shareholders

From Mr C. Squire.

Sir,—You should buy Richard Tompkins a new calculator! His estimate (September 16) of the number of "serious" private shareholders (ie, holding shares in more than three companies), is out by a factor of 12: the true figure is 13 per cent of 9.4m, which is 1.2m, or about 3 per cent of the adult population. This is still a remarkably small number, but not as derisory as he implies. What is interesting is that it is only 60 per cent of the total number of private shareholders in 1983 (2m), before privatisation made private shareholding fashionable again. If, as seems likely, nearly all the 1983 shareholders were "serious" (ie, they held portfolios of shares rather than single shareholdings) this suggests that the euthanasia of the shareholder is continuing unabated, and four years of bourgeois triumphalism have not succeeded in putting the clock back one little bit.

C. K. Square,
316a Richmond Road,
Twickenham, Middlesex.

Computer systems

From the Corporate Communications Manager, Acorn Computers

Sir,—I must say that I found it odd (September 14) that under the heading of "Office computer systems" Boris Sedacca gave 40 per cent of his space to the argument that "Acorn's equipment is inappropriate for schools as MS-DOS is the way forward in education," propounded by the British Microcomputer Federation (BMF) under the chairmanship of Microsoft UK's managing director. This argument is predicated on a false belief that the needs of educational users are identical to those of the users of office computer systems.

Schools need the machines they buy to be flexible. That's why, right from the start, our machines have had an open architecture that allowed co-processors running CP/M (remember that?), DR-DOS and now, on the Archimedes machines, MS-DOS to be installed. There is, of course, some need for MS-DOS based applications in some areas of the curriculum. But schools have wider needs. They also want their machines to have the capability to capture data from laboratory experiments, to drive robotics devices, to demonstrate process control techniques, to be networkable at low-cost, to act as viewdata hosts, and so on. These capabilities are not generally required of office systems.

Office systems are replaced over a short cycle for a number of reasons. Most of those reasons do not apply to educational users. Today's eight- and nine-year-olds will be entering the job markets in a decade's time. Will they find MS-DOS on their PC's? No they won't, because even Microsoft is now committed to a different system. The company's founder, Bill Gates, said recently in New York that 80-90 per cent of all PC systems will run OS/2 in the next three years. Trying to persuade schools that MS-DOS is the way of the future seems, to say the least, disingenuous.

In higher education, scientific and industrial fields, and increasingly in the commercial field, the operating system that has been adopted and is related to the emerging international standard is UNIX. For example, US and UK government and EC systems are increasingly specified to run under UNIX and there are many thousands of applications running under UNIX. Our customers tell us that the way they want to go is to having many thousands of off-the-shelf packages available to them. And it's to our customers we listen.

Michael Page.
645 Newmarket Road,
Cambridge.

Differing electricity prices

From Dr E. Inman.

Sir,—Your columns have in recent weeks frequently featured letters from obviously interested parties on the above subject. I have yet to see anything from those of us who will, I suspect, benefit little from any privatisation, no matter what form it takes, namely the individual consumer.

Within the Greater London area there are at present no fewer than four different Electricity Boards all charging different prices, and two of which impose a day time penalty for access to the cheap night tariff. May I make a plea that any reorganisation will take account of these geographical anomalies and replace the accidents of history by rational boundaries between whatever new supply organisations are set up.

(Dr) E. R. Inman,
28, Downs Hill,
Beckenham, Kent.

Urgent matter of an airport development policy

From the Chairman, British Caledonian Airways.

Sir, — It appears from Mr Davison's letter (September 10) that there is some confusion about south east airport capacity and how it relates to the proposed BA/BCal merger.

The fact of the matter is that it does not relate to it at all. Whether the merger goes ahead or not, the problem of finding room for the desired number of air transport movements will remain and the need for a clear government air traffic distribution policy will still be valid.

In the absence of adequate additional airport capacity, the problem can only be solved by ensuring that the best use is made of the resources currently in place. In essence it means matching the traffic flows at Heathrow, Gatwick and Stansted to meet differing air travel demands most efficiently.

Mr Davison is quite right when he says that business passengers mind which airport they use. As far as London is concerned, there is a clear preference for either Gatwick or Heathrow. The Government has nominated these two airports as London's scheduled service centres and it makes sense to ensure that future scheduled service development is focused on these hubs. The key to future success with scheduled services is effective hub and spoke operations similar to those already evident in the USA. Heathrow and Gatwick are both necessary in this respect if we, in Britain, wish to maintain our leading position in a business that will be a catalyst for growth and prosperity — not just for the airlines but also for our future economy.

Charter services, on the other hand, are not so airport sensitive. For example, more than 50 per cent of British charter passengers using Gatwick originate from points north of the Thames, and Stansted or Luton are likely to be as or more convenient for these customers.

To claim that airport efficiency is improved by charter flights can be challenged. Of course charters carry a greater number of passengers per flight than scheduled services—that is the whole premise behind the concept of extremely high density seating and is the main reason the cost per charter seat can be lower than that of a scheduled operation. With a charter you are guaranteeing to fill an aircraft in advance. If you fall short of break-even, you can cancel or consolidate flights — sometimes inconveniencing customers but at the same time enabling the airlines to maintain the low cost of package holidays.

Nevertheless, a large number of charters are short season and only operate at peak times of the year, and whereas the number of passengers per flight may be higher than a scheduled operation, the number of passengers per airport slot in a full year show an equivalent level of overall efficiency. Scheduled services spread the use of airport resources more evenly over the year, relieving the massive summer peaking which can cause inconvience to all passengers — scheduled or charter.

In reality, charter airlines' comments are probably influenced by the extra flying time they would incur in operating from Luton or Stansted as opposed to Gatwick. The layout of controlled airspace is such that flights to Mediterranean sunspots are 15 or 20 minutes longer when using London airports north of the Thames.

Much as I understand and sympathise with this situation, the commercial interests of charter carriers should not be allowed to prevail to the detriment of scheduled British air transport.

London is a natural attraction for international scheduled air service connections and this position should be encouraged wherever possible. New business of this kind will be generated on an ever increasing scale as connecting opportunities are expanded. Heathrow is, to all intents and purposes, full. Stansted will take years to develop a hub and spoke network. Gatwick, however, where BCal, its predecessors, and other carriers have been building up a network for almost 30 years is now beginning to become a major world scheduled service hub and has plenty of room for further expansion if all-year-round services are given appropriate priority of operation.

We have never advocated that Britannia Airways or any similar operator should be forced out of Gatwick. I believe that any carrier operating a flight from Gatwick on a year round basis should be able to do so—whether it is a scheduled or a charter operation. On this *basis both can develop* until Gatwick services hit the stops again as growth continues.

There are many charter operations that only use slots at peak times of the year and it is these that should be moved to make way for additional scheduled service operations. With both Heathrow and Gatwick already operating close to their physical limits of aircraft movements per day, something *has got to give*.

The clear fact is either scheduled or charter services must give way, and directing seasonal flights to operate from an airport other than Gatwick is not only the least painful way to do it, but also the most sensible solution—if, that is, we wish to continue to be the airline centre for Europe. This will need a regulatory dictate to achieve and that must come in the form of a clear government airport development policy as a matter of urgency.

(Sir) Adam Thomson
Caledonian House
Crawley, Sussex

FOREIGN AFFAIRS

Parts that glasnost fails to reach

Although many political issues are now being publicly debated in the Soviet Union, Edward Mortimer finds one remaining taboo

IN SHARP contrast to what is happening in the west, there has been no public debate in the Soviet Union about the terms and implications of last week's agreement on intermediate nuclear forces.

Not long ago that would have been a statement of the obvious: there was no public debate in the Soviet Union about anything.

But today, Soviet journalists denounce the evils of their society, in and out and of print, with a passion seldom equalled in the west. Indeed, a few years ago even the most dedicated anti-Soviet propagandist could hardly have produced more examples of the shortcomings of the Soviet system than I heard this month in an hour's conversation with Mikhail Poltoranin, editor of Moskovskaya Pravda.

The fact that producers have no say in the distribution of their earnings; the question of who gets larger than average state pensions, or whose children get places in specialised schools; the low level of education, and lack of political culture, of the mass of the people—and of many journalists; the tendency to ignore the laws of economics and rely on slogans; the quantity of obsolete machinery in Moscow factories; the over-population of the capital, resulting from labour-intensive, rather than capital-intensive industrial expansion; the desperate struggle to house this population, at the price of neglecting schools, hospitals and other services—let alone the proper care of the city centre and its historic monuments; the constant shortages of fresh food, including vegetables. All this came tumbling out as Mr Poltoranin, editor only since January, ranged over the subjects dealt with in his paper.

A similar note of alarm was sounded by Andrei Dementiev, the best-selling poet and lyricist who edits the magazine Yunost (Youth), with a circulation of more than 3m. He talked about the letters received — which, typically for the Soviet press, have increased a hundredfold since it suddenly became readable — and also about the results of a questionnaire which the magazine sent out to its readers.

"Young people started to tell about themselves what they are embarrassed to say to their parents: loneliness, poverty, prostitution, drug addiction, negative attitudes to school, lack of understanding between teachers and pupils, with their suggestions and proposals. The fact that they wrote about all this to an editor they had never met doesn't suggest a very favourable atmosphere in the family or at school."

But, he said, the freedom to publish such things had neither come all at once nor without a struggle. It took one and a-half years to get authorisation to publish a novel exposing the degree of bureaucracy in the Komsomols because "the bureaucracy at all levels was frightened of the consequences; we told the truth to millions of readers, that the Komsomols are just dying in their present state" — an important discovery when one remembers that the Komsomols are the junior branch of the Communist Party, and the obligatory framework for almost every kind of social activity involving people under 30.

"There was a very wide response," said Mr Dementiev. "All the newspapers published articles about this book and the author was rewarded the Lenin Komsomol Prize! Now we're going to publish a similar novel about the Soviet army; it was written six years ago, but at that time forbidden altogether. The only things you could publish about the army then were things connected with heroism."

After a few conversations of this sort, one begins to want to meet an opponent of *perestroika* (reconstruction) to hear the other side of the case. However, it soon becomes clear that, in the present climate, such opponents are most unlikely to be sailing under their *own colours. Things have not* yet got to the point where people can openly attack the General Secretary. If anyone wishes to criticise some aspect of his policies, he or she must be careful to do so under the guise of general support: "Some critics have pushed the just criticism of past abuses to the point of denying even the real and glorious achievements of the Soviet people. This, of course, is a quite incorrect interpretation, and potentially very damaging to the genuine and necessary reforms that are being undertaken . . ." etc, etc.

So, the debate is not about whether there should be reforms, but about which reforms are needed and how far they should go. One of the inevitable consequences of expanding freedom is that some will make use of it to advocate ideas or policies quite different from those favoured by the sponsors of the process. After all, a perennial question for democracies is how far they can afford to tolerate the enemies of democracy.

Thus *glasnost* (openness) means tolerating the apologists of Stalin as well as the critics. Three weeks ago, for instance, Moskovskaya Pravda published "Two points of view on democracy," one of which, written by the secretary of the party bureau in a factory, argued that the solution to the country's economic ills and to the stagnation which developed *under Brezhnev was a return to* Stalin's more robust methods: "We need a stick."

Nostalgia for Stalin overlaps with a more diffuse yearning for the Russian past, into which Stalin has merged for the generation born since his death. This nostalgia is expressed by a shadowy group called Pamyat (Memory), about which liberal intellectuals express considerable unease, suggesting that its more respectable concerns, such as the restoration of pre-revolutionary monuments, shade into virulent Great-Russian chauvinism and even anti-Semitism. The magazine Molodaya Gvardiya, which has carried on a vigorous polemic against the 'progressive" literature published in liberal rivals, such as Moscow News and Ogonyok, is seen as being closely connected with this group. Liberals have noted anxiously that Pravda referred to the dispute without taking sides. Is that a good sign for *glasnost* or a bad one?

Moscow News, once a dry-as-dust propaganda sheet destined to lie unread in departure lounges and hotel lobbies, has now become such essential reading that people have been known to queue at 4 or 5 am for its Russian-language edition. Almost every week it challenges a hitherto taboo area of Stalinist myth, while also discussing contemporary problems in an amazingly uninhibited way.

The week before last, for instance, it ran an exchange on the possible convergence of capitalism and socialism between J. K. Galbraith and a Soviet economist, a tribute to the deceased emigre author Viktor Nekrasov, an interview advocating gradual moves towards full convertibility of the rouble, and a bitter attack by a Norwegian journalist on the appalling standard of service in Soviet hotels. It also devoted most of a page to recent sightings of the Virgin Mary in the western Ukraine: not to pour scorn on those who claimed to have seen her, but to criticise the treatment of believers by the authorities and the crass insensitivity of party workers, who try to spread aetheism by acts of force or by "improving lectures."

Yet, to return to the point at the beginning of this article, there is still no two-sided argument about the pros and cons of particular arms control agreements or weapons systems, nor about the correct way to respond to the much-denounced US naval presence in the Gulf, still less about how to achieve the now universally proclaimed objective of withdrawal from Afghanistan.

Just as some multi-party democracies strive to maintain a bipartisan foreign policy so, it seems, Soviet citizens feel inhibited about publicly discussing issues of national security, even when so many taboos have fallen on the domestic front. Yet, such frontiers of debate are, by their nature, difficult to police and it is questionable for how long they can be maintained.

FINANCIAL TIMES

Tuesday September 22 1987

T. Boone Pickens

Gold Fields to lift Newmont stake

BY JAMES BUCHAN IN NEW YORK AND CLAY HARRIS IN LONDON

CONSOLIDATED Gold Fields, the London-based mining finance house and construction materials group, intends to increase its shareholding in Newmont Mining to just short of a majority as part of a drastic $3.8bn plan to prevent control of the US gold and resources group passing to investors led by Mr T. Boone Pickens the Texas oilman.

The announcement that Gold Fields would act as 'white knight' came as Newmont unveiled a radical restructuring, saying it would focus on its gold business and sell off some non-gold assets to finance a special dividend of $33 a share, a total of $2.25bn.

Gold Fields has established a $1.6bn warchest to buy Newmont shares by injecting $800m into a new subsidiary, which itself has issued $800m in preference stock to First Boston. Gold Fields' existing 26.1 per cent stake in Newmont has been transferred to the new company.

The Gold Fields stake and the special payout are designed to forestall an aggressive effort by Ivanhoe Partners, a group led by Mr Pickens and which holds 9.9 per cent of Newmont, to gain control of the company through a partial offer of $105 a share for another 41 per cent.

The double announcement sent Newmont's stock price tumbling $7½ to $93⅝ in early trading and left Wall Street deeply divided about the possible outcome. Some analysts said that the Pickens group is now effectively blocked and it will withdraw with its $221m share of the special dividend, allowing the stock price to fall.

But others expect a full-scale race to the 50 per cent level between Gold Fields and the Pickens group which could cause the Newmont price to go higher.

The special dividend - worth $582m to Gold Fields at its present stake - is being financed in the first instance by a $2.25bn credit line arranged last week.

In London, analysts were puzzled by Newmont's intention to change course by liquidating some of its non-gold assets and its willingness to pay Ivanhoe a dividend worth more than half the investor group's cost

Victor Mallet looks at the new guerrilla threat to peace

Bush war drums beat in Zimbabwe

"NO PLUCKING due to massacre... 27 boys killed," says the well-thumbed logbook at the Aberfoyle tea estate on Zimbabwe's mountainous eastern border with Mozambique. The entry was made on December 19 1976, when nationalist guerrillas were launching attacks into Rhodesia from Mozambican territory. The "boys" were workers.

More than a decade later a new and equally brutal bush war is threatening the tranquillity of the eastern highlands. The new war comes after seven years of peace following white-ruled Rhodesia's transformation into black-ruled Zimbabwe in 1980.

Rebels of the Mozambique National Resistance have raided Zimbabwe a dozen times since June, killing and abducting civilians, shooting soldiers, robbing stores, laying landmines, poisoning a water well and attacking tea estates.

More than 20 Zimbabweans have died and the MNR raids along the length of the 1,000km frontier have presented the Government in Harare with the unwelcome prospect of long-term instability in the east as well as the west, where dissidents in Matabeleland continue to fight a low-level guerrilla war.

As the Rhodesians found to their cost, the hilly Mozambique border is good guerrilla country. At the Aberfoyle Club, 60km off the main north-south road in the area around Mutare, a missile fired at the building during the previous war now acts as the dinner gong.

Ironically, some of the white farmers growing tea and coffee in eastern Zimbabwe are under threat from the side they used to support. The MNR was formed by the Rhodesians from a motley crew of dissidents in 1976 in an attempt to weaken Mozambique, which was used as a base by guerrillas of the Zimbabwe National Liberation Army - the military wing of the Zanu party now ruling the country under Mr Robert Mugabe, the Prime Minister.

South Africa took the MNR under its wing at the time of Zimbabwean independence in 1980. Since then the movement has grown in military strength, although not in political stature, and has devastated much of Mozambique. A year ago the MNR declared war on Zimbabwe itself in response to Zimbabwean army intervention in Mozambique.

The recent attacks across the border appear to be the fulfilment of that declaration, even if a few of the raids were merely to steal food. "A few minor forays could tie up an awful lot of Zimbabwean troops," says one western diplomat in Harare. "The MNR is active along the entire Mozambique-Zimbabwe border."

An official from another embassy agrees: "It's poised to become a bigger problem," he says. "There are certainly signs that the raids are organised towards stretching the ZNA (the Zimbabwe National Army)."

Members of Zimbabwe's Central Intelligence Organisation are investigating the situation on the border and seem to have come to the same conclusion.

Zimbabwe has significant political and economic interests in Mozambique and Mr Mugabe has pledged that his forces will 'fight to the last man' to prevent a rebel takeover in Maputo. The Zimbabwe Government, anxious to reduce its dependence on South African ports for its trade, keeps about 7,000 troops in Mozambique to guard the oil pipeline, the railway and the road linking Zimbabwe to the Mozambiquan port of Beira - the so-called Beira Corridor. At times Zimbabwe has deployed up to 12,000 men in Mozambique and has also taken a leading role in offensives against the rebels.

Among the worst of the recent MNR attacks in Zimbabwe was the June incursion into the Rushinga area in the north-east during which 11 villagers - including children - were killed and others abducted by a band of about 100 men.

Ndabaningi Sithole: thought to be courting the MNR

The guerrillas left behind leaflets threatening Zimbabwe, Zambia and Tanzania because of their support for the Mozambique Government. Zimbabwe later said its forces had killed 22 MNR guerrillas after the attack.

In July the guerrillas sabotaged machinery at the processing plant of the Government-owned Katiyo tea estate near Aberfoyle. In August they killed four soldiers and a woman at the Jersey tea estate near Chipinge, and this month they are said to have killed two National Parks officials in the Gonarezhou reserve in the south-east.

Farmers and the authorities are adopting much the same kind of security measures as those of 10 years ago. Soldiers, militiamen and private security guards prowl around tea estates, farms and villages. Old security fences are being mended and a radio communications system for isolated homesteads revived. Farmers are joining police reserve units.

As the Zimbabwean tea-picking season approaches its peak and casual workers migrate across the border to look for work, the Government has started stringent checks of Mozambicans, some of whom are suspected of helping the MNR.

Neither the Frelimo party, which rules Mozambique, nor Mr Mugabe's Zanu (PF) has a particularly strong local following along their common border. Straddling the central section of the frontier are the Ndau clan, one of the main recruiting grounds for the MNR.

Even Frelimo soldiers in central Mozambique are mistrusted by the Zimbabweans. Earlier this year, after a spate of ambushes on a stretch of the road along the Beira corridor, the Zimbabweans disarmed Mozambican soldiers and militiamen and the attacks ceased. In another incident, a presumed MNR saboteur who blew himself up by mistake turned out to be a militiaman.

On the Zimbabwean side there is considerable mistrust of the central Government and support for the Zanu splinter party loyal to Mr Ndabaningi Sithole, now living abroad and thought to be courting the MNR.

The Government in Harare, believing that South Africa is behind the rebel activities in the east and west of Zimbabwe, is aware that it is militarily and politically vulnerable.

At a recent meeting on security in Chipinge, the local Zanu (PF) leader, Mr Kumbirai Kangai was quoted as saying: "The Government does not have enough manpower to patrol the whole area and we hope the units the Government has deployed will be supplemented by the vigilance of the people.

"The commercial farmers themselves should assist by providing their workers with transport to Zanu (PF) rallies where they will be politicised and conscientised on the current security situation."

Such measures may not be enough. So far the inhabitants of Zimbabwe's eastern highlands are reacting with resignation rather than panic to the worsening insurgency.

Thatcher singles out TV, radio 'restrictive practices'

By Raymond Snoddy in London

THE UK Government is to produce a white paper on broadcasting by the turn of the year designed to create a framework for greatly increased choice for the viewer and equally increased competition for existing broadcasting companies.

Mrs Margaret Thatcher, the Prime Minister, told leaders of Britain's broadcasting industry at a seminar in Downing Street yesterday that "the broadcasting industry was the last bastion of restrictive practices."

This would inevitably change as the possibilities of new terrestrial channels and cable and satellite expanded viewer choice.

"There is an enormous amount of competition coming. It's going to make this industry infinitely more competitive," said an official who attended yesterday's meeting.

The proliferation of satellite channels, many broadcast from outside British jurisdiction, raised the central question of how standards could be enforced.

Mrs Thatcher suggested yesterday she might consider making advertisers legally liable if they supported channels from outside the UK containing unacceptable programmes.

Speaking after the three-hour meeting, Mr Jeremy Isaacs, chief executive of Channel 4, said: "There is a contradiction between regulation and deregulation of broadcasting that will only be resolved by what is put in the bill."

Apart from the Prime Minister, the seminar was attended by Mr Nigel Lawson, the Chancellor of the Exchequer, Mr Douglas Hurd, the Home Secretary, Lord Young the Trade and Industry Secretary and Mr Timothy Renton, the broadcasting minister at the Home Office.

Even the public service broadcasters at the meeting appeared to share a consensus that dramatic changes were on the way.

Mr Michael Grade, director of programmes at BBC Television, conceded that within a matter of years the present BBC-ITV duopoly might account for only 70 per cent of British broadcasting with the new competing channels taking the remainder.

Sir Ian Trethowan, a former director general of the BBC and chairman of Thames Television, said he was encouraged by the meeting. Mrs Thatcher had listened carefully and there was no impression of legislation already set in concrete.

Sir Ian appealed to the Prime Minister to retain maximum flexibility on issues like the future ownership of Channel 4 to judge the effect of new satellite channels due to be launched within the next two years. He suggested the Government should take powers to increase competition if it should be necessary rather than deciding on specific measures now.

Although the future of Channel 4, the possibility of a Fifth Channel and the possible auctioning of ITV franchises were all in the briefing documents they were hardly mentioned during the seminar.

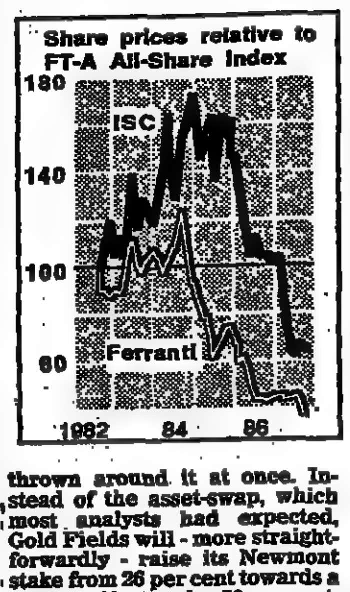
The meeting may have also increased the chances that Thames and London Weekend Television will be able to be part of a consortium planning two new channels of television aboard the Luxembourg private sector satellite Astra.

BBC seeks sponsorship ruling, Page 12

THE LEX COLUMN

Defence is the best defence

It is a cruel coincidence that Plessey's rebuff in the US defence market should come on a day when City analysts were cooing over Ferranti's proposed union with International Signal & Control (ISC). The Ferranti/ISC fit certainly looks remarkable. One company is good at making high-tech defence products, the other at bolting them together for customers. One is strong in the north of Europe, the other in the south. Above all, one is in close touch with the UK Ministry of Defence, while the other has at least adequate contacts with the Pentagon.



One snag for Ferranti is that its already heavy 60/40 bias to defence rather than civil work will be increased to 65/35, though there is a trade-off in a wider geographical and product base and a reduction in dependence on MoD sales from close on half to nearer a quarter of the group total. The othersnag is that a blue-chip UK company will be wedding itself to a US group with a shorter history and a notorious penchant for secrecy. But unlike Ferranti, ISC has a record of unbroken profits growth, even if no one is quite sure where it comes from. After its bad patch in the mid-1980s Ferranti could do with a bit more growth, even at the expense of earnings quality.

Meanwhile, ISC's London listing and shareholder base mean that Ferranti can pull the neat trick of buying a US company with a straight share swap. It is also presumably secure against the Plessey's problems; since ISC has been foreign-owned in Pentagon terms since its flotation, it already has in place a proxy system of control in the US for security purposes. And since Ferranti plainly knows more about ISC than anyone else by this time, it is unlikely that there will be a competing bid. Indeed, given its anonymous customer base and the recent mysterious hiccup in its profits, ISC is a poison pill in its own right. Anyone looking to pick Ferranti off as a pure UK defence stock has only a few weeks to play with.

Newmont

The bewilderment induced by the Newmont/Consolidated Gold Fields defensive finesse is an unintended tribute to the cunning of Mr T. Boone Pickens. Rarely can a company - or in this case a heap of gold - have had so many defensive rings thrown around it at once. Instead of the asset-swap, which most analysts had expected, Gold Fields will - more straightforwardly - raise its Newmont stake from 26 per cent towards a ceiling of just under 50 per cent. Given the combined fire-power of Gold Fields and First Boston Securities one might have thought that sufficient to see off Mr Pickens in the marketplace. But in case it is not we have the Newmont special dividend of $33 a share, which is in effect a down payment on the proposed disposals of its non-gold assets - a sudden reversal of its business strategy. Gold Fields hinted recently that it would be comfortable with higher gearing and appears to have consolidated a key investment at bearable cost to shareholders. Things are not so clear for Newmont shareholders, who yesterday saw the price slip back $7½ - and as it does not go ex-dividend until October 1 the market appears to be waving good-bye to Mr Pickens.

Kleinwort Benson

It is make or break time for Kleinwort Benson. Either it joins S.G. Warburg in the class of UK merchant banks which can successfully go it alone or it follows Hill Samuel in the search for a wealthy parent. Yesterday's rights issue was a bid for the former course, and at a hefty one-for-three proves that Kleinwort has the nerve to play for high stakes. The cost of the extra capital is a dilution of core family holdings from a third to a quarter and greater pressure to produce results which keep those and other shareholders happy if a bid is to be resisted.

The interim figures, with pretax profits down from £57.7m to £37.9m and a forecast of even less in the second half (though one hopes much more than the near-disastrous second half of 1986), will not have helped the cause. Rivals are now making profits at market making, and it is disturbing to see Kleinwort lose £7.5m on the securities side at a time when markets were still good and costs associated with back office problems have been swept under the inner reserves carpet. Worsening market conditions since the half year ended argue for an even larger second half loss. Add a few problems elsewhere and Kleinwort will do well to reach £75m for the full year compared with £78.8m in 1986.

Even if Kleinwort gets its securities business right after 1987, it still has much to do, and spend, in building up its international network. If it is to compete with global players it may need yet more capital in the next couple of years. And that will not be forthcoming unless there are more positive signs of success.

Tarmac

The strength and consistency of Tarmac's growth appears to have been so well discounted that beaten forecasts have merely become an opportunity for profit taking with a yawn. Despite its obvious virtues Tarmac has actually underperformed the market by nearly 10 per cent over the past year and has only tracked it since 1982. That has something to do with the frequency of share issues, but recently the company has had to bear the cross of being the sector's bell-wether stock. Fortunately that is not enough to undermine its hard-won premium to the sector, which yesterday's hints of excellent performances from the housing division and the LoneStar acquisition should help to sustain for a good while yet.

Natwest

National Westminster Bank's £100m share issue in Tokyo is well within pre-emption rights guidelines. Yet shareholders may still be miffed if Barclays' experience is repeated. About half the 20m shares Barclays placed in April have since come home - at a tidy profit. Japanese investors are apparently not always such long-termists as is supposed.

British tanker set ablaze in Gulf

BY RICHARD JOHNS IN LONDON

A BRITISH tanker was attacked by an unidentified gunboat in the northern Gulf and set on fire yesterday, according to shipping sources in the region.

They said the 102,799-tonne Gentle Breeze was apparently hit in the accommodation quarters and the crew were believed to have abandoned ship. Two crewmen were reported to be missing.

The attack came as the Royal Navy's Armilla patrol task force, made up of two frigates and a destroyer, was joined by four minesweepers.

The vessel was hit near Farsi island, belonging to Iran, which is a base of the Revolutionary Guards.

The attack occurred as Iraq indicated that it might be willing to see the establishment of an international tribunal to investigate responsibility for the seven-year-long Gulf conflict with Iran.

Al Thawra, the official newspaper of the ruling Iraqi Arab Baath Socialist Party, said yesterday that it did not fear arbitration to decide who started the war, adding that Iran had in the past rejected previous attempts to set up a body to apportion blame.

The comment could provide a glimmer of hope that the ground might be prepared for at least a tacit truce between two war-weary countries during the current session of the UN General Assembly, which started in New York yesterday.

Iran was willing to contemplate an "undeclared ceasefire" if a commission of inquiry was set up, the leadership in Tehran recently told Mr Javier Perez de Cuellar, the UN Secretary-General.

The Al Thawra editorial was published on the eve of the anniversary of Iraq's invasion of Iran in 1980 and the day Iran considers to be the start of the conflict. Iraq claims that the war began on September 6 with Iranian shelling of border positions.

It did not in any way suggest any retreat from Baghdad's public position, backed by the Arab League, that Iran should accept UN Security Council resolution 598 of July 20. It calls for a ceasefire, withdrawal to pre-war borders and an exchange of prisoners amongst its other provisions.

Editorial comment, Page 26

EC ruling on steel quotas

Continued from Page 1

end of this year the output controls which have helped support prices since 1980. "We have taken some fairly important first steps," said Mr Kenneth Clarke, the UK Industry Minister, marking a notable softening in Britain's scepticism about the industry's ability to produce enough cuts to reduce capacity in line with demand. "This is not going to be a milk regime. We are going to have a return to a free market," he added.

Mr Clarke did not rule out that the UK would be contributing to the cuts, and said he had an open mind for the future of British Steel's plant at Ravenscraig.

Rhone-Poulenc in Stauffer deal

BY PAUL BETTS AND GEORGE GRAHAM IN PARIS

RHONE-POULENC, the French state-controlled chemicals group, is expected to announce today an agreement to buy from ICI the basic chemicals interests of Stauffer, the US chemicals group which the British company acquired from Unilever for $1.69bn last July.

The deal is expected to cost Rhone-Poulenc between $300m and $400m, according to financial analysts in Paris. It would be Rhone-Poulenc's second major US acquisition in the last 12 months, following last year's $575m purchase of the agrochemical business of Union Carbide.

Neither ICI nor Rhone Poulenc would comment on the deal last night. However, both companies have called press conferences in London and Paris this morning.

Rhone-Poulenc has been interested in Stauffer for some time. Mr Jean-Rene Fourtou, chairman of the French group, confirmed in April that he was looking at Stauffer before ICI bought the US company from Unilever, the Anglo-Dutch foods and cosumer products group.

The French company also confirmed in July that it was among the interested bidders for Stauffer's basic chemicals operations but said at the time that it was still awaiting a response from ICI. French officials said last night that a response had been expected from ICI this week.

ICI has already sold the special chemicals interests of Stauffer to Akzo, the Dutch group, for $625m. After the sale of the basic chemicals interests to Rhone-Poulenc, ICI will be left with Stauffer's agrochemicals business.

The latest deal forms part of Rhone-Poulenc's strategy of expansion in the US. Mr Fourtou is now also understood to be keen to buy into the US pharmaceutical sector.

Rhone-Poulenc, which expects to report profits of at least FFr2.3bn ($371m) this year compared with earnings of FFr2bn last year on sales of FFr52.5bn, is actively campaigning to be privatised in order to have greater freedom to raise fresh capital.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	28	82	Malta	S	31	88	Rhodes	S	28	82
Algiers	F	37	99	Edinburgh	C	18	64	Manchester	F	20	68	Rio de Je	-	-	-
Amsterdam	S	21	70	Faro	S	26	79	Manila	-	-	-	Rome	S	27	81
Athens	S	31	88	Florence	S	28	82	Melbourne	-	-	-	Salzburg	S	25	77
Bahrain	S	38	100	Frankfurt	S	25	77	Mexico City	-	-	-	San Francisco	C	12	54
Bangkok	C	32	90	Funchal	F	26	79	Miami	S	26	79	Seoul	S	27	81
Barcelona	S	27	81	Geneva	C	25	77	Milan	S	27	81	Singapore	R	25	77
Beirut	S	30	86	Gibraltar	S	24	75	Montreal	C	11	52	Stockholm	F	13	55
Belfast	R	17	63	Glasgow	R	17	63	Moscow	F	9	48	Strasbourg	S	28	82
Belgrade	S	26	79	Guernsey	C	17	63	Munich	S	27	81	Sydney	-	-	-
Berlin	F	16	61	Helsinki	C	10	50	Nairobi	S	27	81	Taipei	-	-	-
Biarritz	S	30	86	H. Kong	R	25	77	Naples	S	28	82	Tangier	F	25	77
Bombay	F	31	88	Innsbruck	S	24	75	Nassau	-	-	-	Tel Aviv	S	29	84
Bordeaux	S	31	88	Inverness	C	17	63	New Delhi	S	32	90	Tenerife	S	26	79
Brussels	S	23	73	Islamabad	-	-	-	New York	C	14	57	Tokyo	F	27	81
Budapest	S	22	72	Istanbul	S	25	77	Nice	S	26	79	Toronto	T	12	54
B. Aires	C	18	64	Jakarta	-	-	-	Nicosia	-	-	-	Tunis	S	32	90
Cairo	S	33	91	Jersey	C	18	66	Oporto	F	23	73	Valencia	S	29	84
Cape Town	S	21	70	Jo'burg	F	24	75	Oslo	F	11	52	Venice	S	25	77
Caracas	C	29	84	Lima	-	-	-	Paris	S	26	79	Vienna	S	24	75
Casablanca	F	25	77	Lisbon	F	23	73	Peking	-	-	-	Warsaw	F	13	55
Chicago	C	18	64	London	F	20	68	Prague	S	23	73	Washington	C	18	64
Cologne	S	27	81	Los Angeles	C	18	64	Reykjavik	R	10	50	Zurich	S	25	77
Copenhagen	S	15	59	Luxembourg	S	24	75								
Corfu	S	30	86	Madrid	F	23	73								
Dallas	S	17	63	Majorca	S	34	93								
Dublin	C	17	63	Malaga	S	28	82								

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Sweden to tax market transactions

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SWEDEN is to introduce a turnover tax on transactions in money and capital market securities, including futures and options.

The new tax will be levied at a rate of 0.03 per cent on the turnover of interest-bearing securities and is estimated to raise around SKr1bn ($157m) in a full year. The legislation will be placed before the Swedish parliament this autumn. Only premium bonds will be excluded.

The new tax was announced by Mr Kjell-Olof Feldt, the Swedish Finance Minister, at the ruling Social Democrats' three-yearly congress. It comes in response to a growing wave of criticism within the labour movement about what are seen as excessive profit levels in the rapidly growing financial markets.

Sweden has already imposed a 2 per cent turnover tax on share transactions, and the new money market tax is a further step aimed at placating opinion within the labour movement.

The new tax has already acquired the name of "puppy tax," a direct reference to the repeated attacks launched by Mr Stig Malm, the head of LO, the blue-collar workers trade union confederation, on the "finance puppies," the new generation of young, high-earning traders and brokers active in the newly created money, option and futures markets.

The finance ministry said the new tax would double transaction costs in the money market.

As part of its offensive on the financial markets, the government is also planning tighter regulations for lending by finance companies.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday September 22 1987

Kleinwort Benson to raise £143m

By David Lascelles in London

KLEINWORT BENSON, the UK merchant banking group, is seeking £143.6m ($235.5m) in fresh capital from its shareholders.

The group also announced yesterday that it suffered a sharp fall in profits and a £7.5m loss in its securities activities in the first half of this year.

However, Kleinwort's rights issue and poor results had been widely expected in the City of London. Its shares recovered from an initial steep fall to close at 530p, down 7p on the day.

Kleinwort, one of the largest City merchant banks, said a rights issue was needed to build a stronger capital base from which to compete effectively in the world financial markets. The group is about to open a major new office in New York, and expects to become a member of the Tokyo Stock Exchange next year.

Mr Michael Hawkes, the chairman, said his group wanted to be able to shoulder larger bank lending and underwriting commitments, and secure its independence.

The issue is being done on a one-for-three basis at 450p a share, and is being underwritten by stockbrokers Hoare Govett. It is the largest rights issue yet made by a UK merchant bank, and the first from Kleinwort. The group also intends to raise more than $100m through a debt issue. Altogether, this will raise its total capital resources to about £800m.

Kleinwort earned £37.9m pre-tax in the first half of this year, down by a third from £57.7m in the same period last year. Mr Hawkes blamed the fall on difficult trading conditions recently, although the comparison was misleading because of the major changes brought about by last year's Big Bang.

Background, Page 33

Bond moves closer to Heileman deal with higher offer

BY GORDON CRAMB IN NEW YORK

MR ALAN BOND, the Australian businessman, yesterday appeared close to a deal with G. Heileman Brewing with an improved takeover offer which values the fourth largest US brewer at some $1.3bn.

Heileman said it was talking to Bond Corporation Holdings about its $40.75 a share bid. Last Thursday the Milwaukee, Wisconsin company rejected the original $38 per share offer as against the company's best interests, but left the way open to a further approach.

Shares in Heileman, after a delayed opening on the New York Stock Exchange yesterday morning, almost immediately came $1⅛ lower to trade at the new offer level, reflecting investors' expectations that a deal would go through on the revised terms.

If successful, Bond will become the first foreign entrant to US brewing on a large scale. The Perth-based group – which produces the Swan and Castlemaine XXXX brands – gained a foothold last year with the $29.5m purchase of Pittsburgh Brewing, a small regional brewer.

Heileman, under Mr Russell Cleary, its chairman, has itself risen through the ranks of the US industry over the past 15 years through an aggressive acquisition programme which mopped up a succession of smaller producers. These gave Heileman a position of strength in many US cities but, analysts point out, the group has failed to meld a successful national brand which would compete with high-profile products like Anheuser-Busch's Budweiser, the market leader.

Heileman warned yesterday that three remained "substantial and material issues requiring resolution," but added that the two sides had agreed to a moratorium on legal action against one another while the negotiations went on.

Mr Alan Bond

Bethlehem 'consideres' Chapter 11 protection

BY OUR FINANCIAL STAFF

BETHLEHEM STEEL, America's third biggest steelmaker, has considered the possibility of filing for protection under Chapter 11 of the US Bankruptcy Code and sees future events which would make such a filing prudent, said a preliminary prospectus for last week's 12m common share offering.

Bethlehem, whose offering could raise $200m at current market prices, said it "has studied the relief and protection that might be available to it under Chapter 11."

While the company had not pursued this alternative, it recognized future events, many beyond its control, may result in such adverse changes in business circumstances

Philips sweetens bid offer for NAPC

By Laura Raun in Amsterdam

PHILIPS, the Dutch electronics group, has again sweetened its bid for the 42 per cent of North American Philips (NAPC) that it does not already own by offering $56 a share, or a total of $673m.

The new tender offer announced yesterday represents $12 more in cash but drops an equity warrant in the previous bid in an effort to settle a shareholders' lawsuit and speed up the desired consolidation of NAPC.

About 15 NAPC stockholders sued Philips last month on the grounds that its original offer of $50 a share was too low but they have agreed to drop the suit upon approval of the new terms by the Delaware court, Philips said.

Philips launched its cash offer for NAPC on August 21 as a way of reining in the relatively independent subsidiary, which has irritated the Eindhoven headquarters by going its own way in product development, marketing and corporate strategy.

Until December 1986 NAPC was part of the US trust established during the Second World War to protect the Dutch company's assets but the trust was dissolved last year and its assets, including 58 per cent of NAPC, were brought under Eindhoven's direct control.

Philips, which is Europe's largest electronics concern, is actively seeking to concentrate more power in Eindhoven in a bid to compete more effectively against global-scale companies.

Under the terms of the latest offer for NAPC, FGP Corp, a wholly owned subsidiary of Philips, will offer $55.50 a share to all holders beginning no later than Friday and lasting for 20 business days. An additional 50 cents a share will then be paid after the Delaware court has approved the litigation settlement.

Andrew Fisher in Frankfurt on expansion plans of a major European tyre manufacturer

Continental treads onto positive track

CONTINENTAL, the West German tyre and rubber products company, is looking for gains in earnings per share of about 10 per cent in 1987 and 1988, Mr Horst Urban, chairman-designate, said yesterday.

This is despite the $650m purchase of General Tire in the US. Conti is raising money in German and foreign markets to finance this deal.

In 1986, earnings per share rose from DM16.97 to DM28.45 ($9.36 to $15.70).

Mr Urban, 51, the finance director, was named last week to succeed Mr Helmut Werner, as chairman from November 1. Mr Werner is joining the board of Daimler-Benz to run its truck division.

In his first appearance yesterday since being named as chairman, Mr Urban said that the General Tire deal would not dilute earnings per share.

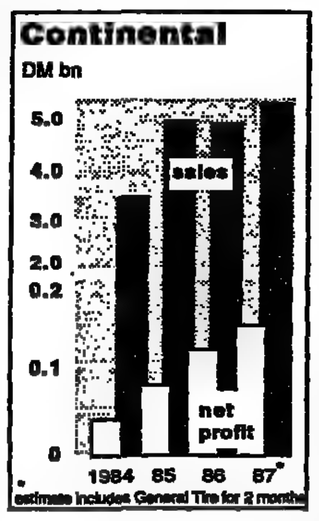
Having raised DM380m through a multi-currency bond issue, it will issue 2.4m new shares to domestic and foreign investors in coming weeks to raise a further DM700m.

Through the acquisition of General Tire, effective from the end of next month, Conti, based in Hanover, will move to fourth from seventh place in the world tyre-making league. The US company has annual sales of around $1.2bn and employs 12,000 people, mainly in America.

As already indicated by the German group, expansion beyond Europe and North America is also contemplated. Though Mr Urban stressed there were "no plans and no secret plans" for moving deeper into Asia, where it has co-operation deals in Japan and India, he said Conti still had more to do in completing its international strategy.

With the addition of General Tire, Conti's annual sales will advance to around DM7.5bn. Last year, net profits rose by 48 per cent to DM114m on flat sales of DM5bn. For 1987, Mr Lam Nguyen-Phong, of J.P. Morgan's European equity research division, is forecasting DM148m, with a further jump to DM225m in 1988.

The positive tone adopted by Mr Urban yesterday is in strong contrast to Conti's weak position of the early 1970s, when it was stuck in the red. Mr Carl Hahn, now head of Volkswagen, led it into profit, a process continued by Mr Werner, who came to Conti when it bought the European operations of Uniroyal of the US eight years ago.



In Europe, the German company is second in tyres behind Michelin of France. It bought the tyre operations of Semperit of Austria two years ago, while its overseas involvement includes a production tie-up in Japan with Toyo Rubber. Before buying General Tire, it already had an agreement under which the US company made 300,000 tyres a year for Conti.

Apart from Japan, Mr Lam Nguyen-Phong reckoned there was also scope for Conti to grow in southern Europe. At present, its biggest markets are Germany, with 46 per cent of tyre sales, and France, the UK, and the US, with 8 per cent each.

At present, though, said Mr Urban, the group would be busy digesting General Tire. "We do not want to make the mistake of overdoing things and choking."

Conti also intended to continue investing heavily in its existing businesses. In 1987, capital spending will be 15 per cent higher at DM330m after a 13 per cent rise to DM287m in 1986.

Glass-Steagall casts shadow in Canada

"GLASS-STEAGALL is all but history," said Mr David Lovejoy, Security Pacific's vice president, when he visited Toronto recently to announce the Los Angeles bank's proposed purchase of a stake in Burns Fry, the Canadian securities dealer.

History or not, the much-maligned act, which mandates a separation of US commercial and investment banking activities, continues to haunt some of those who have agreed to snap up holdings in Bay Street stockbrokers in the wake of Canada's financial deregulation.

It is doing so in two ways: first, by influencing the manner in which banks are planning to integrate the securities dealers' US operations; secondly, by placing the very approval of the deals by Canadian regulatory authorities in some doubt.

On the first score, Nesbitt Thompson, in which Bank of Montreal recently agreed to buy a 75 per cent stake, last week announced that it is to sell to employees its holding in the domestic operations of Fahnestock, the New York-based regional broker. The bank already has a substantial interest in the US commercial banking sector through its stake in Chicago-based Harris Bank.

"The rules in the US are very clear", explained Nesbitt Thomson's Mr Brian Steck, "if you are involved with a bank you are not allowed to be involved in the business of offering investment advice."

"Until the Glass-Steagall act is repealed," Mr Steck added, "there is nothing that can be done."

First Chicago, which agreed to buy 35 per cent of Wood Gundy in June, has similarly opted to spin off the Canadian Broker's Boston and New York offices into a separate operation (if the deal receives regulatory clearance), a spokesman said.

Wood Gundy has had other things on its mind lately. Last week it filed a C$355m ($269m) lawsuit against Walwyn, associated firms and several former Wood Gundy employees, in reaction to the departure for the rival investment dealer of some 35 Wood Gundy staff from the firm's successful 42nd Street retail brokerage branch in Toronto.

Burns Fry and Security Pacific, meanwhile, are hoping to tackle the US operations problem by forming a new subsidiary, to be owned by Burns Fry employees, to conduct the underwriting of US securities, a spokesman said.

Under the plan, securities-related brokerage and advice would remain the preserve of the existing Burns Fry US operations, which in turn would be integrated with those of Hoare Govett, the London Stockbroker owned 83 per cent by Security Pacific.

"We don't know whether this idea will fly," said Mr Latham Burns, chairman of Burns Fry, stressing that the plan is subject to Fed approval.

If Canadian financial institutions are not deemed to have approximately equal ability to conduct a securities business in the home jurisdiction of the would-be acquiring entity, "it is possible," according to a spokesman for the Canadian Superintendent of Financial Institutions, "that the deal may not be approved."

David Owen

VEW to cut jobs by third in move to reverse losses

By Judy Dempsey in Vienna

VEW, Austria's state-owned special steels company, yesterday announced plans to cut its workforces by a third, restructure the group and install new management as part of a drive to make the loss-making company competitive by 1991.

The plans were unveiled after the company had called in McKinsey, the US consultancy firm, during the summer. It had recommended a drastic overhaul of the company if it were to survive.

Group losses last year totalled Sch1.6bn ($76.6m).

McKinsey's recommendations, adopted by VEW, means that over the next two years more than 3,000 of the 9,000 strong workforce have to go. The biggest losses will occur in the group's large steel mills.

Under new management, VEW will be split into two divisions—the Boehler group, which is to be based in Kapfenberg, and the Schoellr group, which specialises in refined steel, which is to be based at Ternitz, upper Austria.

Mr Hugo Michael Sekyra, the chairman of OIAG, the holding company of the state-run industries, will join VEW's new management board.

Under the changes, the group will be expected to repay about Sch 1.7bn to creditors over the next two years.

The company said yesterday: "Either the group carries out this plan or it will collapse completely. It has to become competitive."

Pallas buys into securities houses

BY GEORGE GRAHAM IN PARIS

MR PIERRE MOUSSA, ousted from the chairmanship of the Paribas investment bank when the Socialist Government came to power in France in 1981, has raised $190m of new capital for Pallas group, his holding company, and brought in new investors.

The capital increase brings a number of French investors back into the "Moussa club," which has spread into investment banking and financial operations — especially in the UK, France, Canada, Switzerland and the US.

Pallas has already used some of the new funds to buy significant stakes in two securities houses — the bond dealer Cresvale Partners and the Swiss money broker Tradition — but still has at least $150m in cash.

Existing shareholders who followed the capital increase include 3i and Postel from the UK, Mr Carlo de Benedetti from Italy and Laurentian and Caisse de Depot et Placement du Quebec from Canada.

New investors include Transamerica, the US financial conglomerate, four French insurance companies and the Credit Agricole, the French agricultural bank.

Mr Moussa, one of the "eminences grises" of the French financial world, said yesterday that the operation had restored Pallas Group's ownership to balance.

France was now the largest single nationality among Pallas' shareholders, none of whom owns more than 10 per cent of the capital.

Pallas Group has taken control of Cresvale Partners, the Luxembourg-based securities group which specialises in trading convertible Eurobonds and dollar-denominated Eurowarrants. Pallas will take 61.5 per cent of Cresvale Holdings, which in turn holds 65 per cent of Cresvale Partners.

In addition, the group has added a further 15 per cent to the 20 per cent stake it already held in Compagnie Financiere Tradition, the Lausanne-based money broker headed by Mr Andre Levy, and reorganised its French investment banking operations under Banque Privee de Gestion Financiere, renamed Banque Pallas France.

Mr Moussa said Pallas Group, quoted on the Luxembourg Stock Exchange, was capitalised at about $340m, but could assemble a much greater financial power because of its management of Frandev, a FFr 1.4bn ($232m) mutual fund, its so-far untapped borrowing power, and the "club aspect" of the group.

French opportunist of Berkeley Square

BY DAVID LASCELLES, BANKING EDITOR

"YES, I AM an opportunist," says Mr Pierre Mousse, as if admitting to some unsociable habit. But he is unabashed.

Since he thwarted the French Government's plans for a complete nationalisation of Banque Paribas in 1981, this wily 65-year-old elder statesman of French finance has been pursuing a career as an investment banker with his own Pallas Group.

He now operates from the leafy surroundings of Berkeley Square in London rather than Paris — a move he blames partly on French exchange controls, and partly on London's greater attractions as a financial centre, which as a Frenchman he regrets.

But his business is flourishing to the extent where he can double its capital in the confident expectation that good use will quickly be found for the money.

Pallas—so-named because of Mr Moussa's admiration for the Greek goddess of peace and reason, but also of courage in war—has a market value of $520m. Last year, its third, it earned a net profit of $15m, and has already earned that much in the first half of this year. Its business is in two parts.

Pierre Moussa: fraternity between new entrepreneurs

One half consists of a growing financial operating company with interests in a French bank (Banque Pallas France), an investment bank (Pallas Finance), an equity dealing business (Cresvale Partners), and a foreign exchange and money broker (Tradition).

Mr Moussa wants to expand this side of Pallas to create an important financial services business, and provide the group as a whole with a steady earnings flow.

The other half is more speculative. Pallas takes medium-term stakes in a wide range of businesses specifically aimed at cashing in after a while with a tidy capital gain. The biggest of these is Cerus, the French holding company of Mr Carlo de Benedetti's CIR International.

Mr Moussa says: "Our investments could be in a bank or a sausage factory. It does not matter so long as it offers us the prospect of a capital gain.

"We devote attention to what they are doing, and help them to add value." A typical investment is $25m, but the range is anything from $10m to $100m.

He hopes the additional capital will enable him to boost that side of Pallas substantially.

The money has come from a private placement with Mr Moussa's existing shareholders, and some new ones.

His backers include large pension funds like Postel (of British Telecom and the Post Office), large insurance companies like Canada's Crown Life and Laurentian groups, banks (Credit Agricole), and other assorted investors like Transamerica, 3i and Nippon Life.

In fact, Mr Moussa's group forms part of a growing international network of cross-linked companies with wide-spread interests dominated by well-known individuals.

Not only does Mr Moussa invest in Mr de Benedetti, but Mr de Benedetti invests in him. There are also links with Mr Albert Frere's Groupe Bruxelles Lambert, Mr Paul Desmarais' Power Corporation of Canada, and Mr John Elliott's Elders IXL.

Mr Moussa prefers to talk of his relations being with institutions rather than individuals, but he says: "It is true that there is a kind of fraternity between a certain number of new entrepreneurs in the financial area. We understand these people."

From the distance of London, he is able to observe the denationalisation zeal of the French Government with a certain detachment.

"I have always thought that nationalising big industries and banks was a big mistake," he says. "Now everyone has understood that. If the socialists could start again, I don't think they would do it."

Too much time has passed, though, for Mr Moussa to contemplate a return to French banking.

"I don't want to go back" he says with some emphasis. "I have a fascinating life with Pallas, and I want to make it more successful."

Credit Lyonnais in Chile deal

BY OUR PARIS STAFF

CREDIT LYONNAIS, the third largest French bank, has bought a bank in Chile through the country's programme for converting debt into equity.

Banco Continental — specialised mainly in Chilean corporate customers—will extend Credit Lyonnais's network in Latin America, where it is already represented in Brazil, Argentina, Venezuela, Colombia and Peru.

The French state-owned bank will be the second non-Spanish bank to enter Chile.

Under the Chilean Article 19 scheme for swapping debt for equity, Credit Lyonnais has, with the approval of the central bank, converted some of its dollar-denominated debts in the country into local currency, at about 94.5 per cent of their face value and at the official exchange rate. This money was then used to buy Banco Continental.

The Chilean scheme, by far the most successful of its type in Latin America, has already seen the conversion of about $2bn of debt into equity participations in local companies.

Bankers Trust, the US banking group, recently took over a Chilean pension fund through this mechanism.

Credit Lyonnais, chaired by Mr Jean-Maxime Leveque, is one of the most active candidates for privatisation in the French state sector. Officials have indicated, however, that it is now unlikely to be privatised for another year at least.

Battle for Prouvost reaches stalemate

BY OUR PARIS STAFF

THE desperate stock exchange battle for control of Prouvost, the leading French textiles group, appears to have reached stalemate.

Mr Jerome Seydoux, whose Chargeurs group opened the struggle by buying up Prouvost shares, said yesterday that he believed Mr Christian Derveloy, chairman of Prouvost, now controlled directly and indirectly more than 50 per cent of the company's capital.

Mr Derveloy has announced he controls 46 per cent through the holding companies Safit, Vitos-Etablissements Vitoux and Afid. Paris stockbrokers believe other friendly banks take him over 50 per cent.

Chargeurs, which bought the stakes of several of the Prouvost family, has 46.8 per cent of the group, Mr Seydoux said. This gives it the power to block resolutions in general assemblies and could make Prouvost unmanageable.

Mr Seydoux said: "There are only three possible ways out. Either Mr Derveloy buys our shares, or we buy his, or we divide the assets of Prouvost."

Prouvost shares continued to fall yesterday, dropping FFr 14.50 on the day to FFr 501 ($83.4). At one point in the battle between Mr Derveloy and Mr Seydoux to buy up all available Prouvost shares the price reached FFr 770.

The struggle has aroused considerable controversy in France, where several observers believe the episode exposed the inadequasy of French stock market rules to protect against raiders.

They believe, for example, that Mr Seydoux should have been compelled at an earlier stage to declare his intentions, as would be the case in the US, or to launch a full bid, as would have happened in the UK.

Electrolux plans stake in Spanish appliance group

By Our Financial Staff

ELECTROLUX, the Swedish consumer products producer, plans to acquire a large minority stake — with an option to buy the rest of the shares — in two Spanish state-owned appliance-making concerns from the Catalonian regional government.

The Swedish group will pay about Pta 1bn ($8.2m) for a stake of just under 50 per cent in Corbero and Domar.

It is buying the interests from Pllbsa, a holding company owned by the Catalonian government. Electrolux has an option that expires in 1991 to buy the remaining shares in the Spanish companies.

Dormar, a producer of refrigerators and washing machines, and Corbero, which makes freezers and stoves, have a combined turnover of Pta 20bn and are set to merge in the near future.

Electrolux said both companies were heavily in loss, suffering from too many employees and inefficient production. A rationalisation programme was an important priority, it added.

Electorlux aims to expand its product range in Spain, which currently consists mainly of washing machines, and to enlarge its overall market presence.

INTERNATIONAL COMPANIES and FINANCE

Sime Darby makes bid for Guthrie Ropel

By Wong Sulong in Kuala Lumpur

SIME DARBY, the Malaysian conglomerate, has announced a takeover bid for Guthrie Ropel, which, if successful, will create "one of the largest and most powerful rubber and palm oil groups in the world" with plantations covering nearly 300,000 acres.

Sime will offer three new Sime shares for every four Guthrie Ropel shares, valuing the entire Ropel stake at about 250m ringgit ($100m).

Sime shares fell 16 cents to 3.84 ringgit, while Ropel shares rose by 10 cents to 3 ringgit yesterday following the announcement.

Ropel is a plantations company with about 65,000 acres under rubber and palm oil. It is part of Kumpulan Guthrie, which in turn, is wholly owned by Permodalan Nasional (PNB), the Malaysian government investment agency.

PNB holds 58.35 per cent of the issued capital of 84.69m Ropel shares, as well as a 6.9 per cent stake in Sime.

If it accepts the Sime offer, its stake in Sime would be increased to rougly 11 per cent.

In a statment to the stock exchange, Sime said it believed that "considerable benefits" would accrue from the merger in terms of "advanced technical expertise and acces to integrated processing and marketing facilities."

While the bid makes commercial sense to Sime, it is difficult to understand why Kumpulan Guthrie would agree to sell its Ropel stake, since it is a leading plantation group itself, unless PNB wants to increase its Sime stake to a more meaningful level.

Malaysian plantation circles say Sime's bid was prompted partly by the lacklustre results of Ropel. For the year ended December, 1986, Ropel had after-tax profits for 1987 were also just under 1m ringgit, in spite of a strong improvement in commodity prices.

Sime had after-tax profits of 84.5m ringgit for the year ended June, 1987.

Ropel told the exchange its board would meet soon to consider the offer and to appoint independent advisers.

C & W in talks on HK reshape

BY DAVID DODWELL IN HONG KONG

CABLE & WIRELESS (C&W), the UK-based telecommunications group, yesterday revealed that discussions were taking place on a possible reorganisation of its two Hong Kong-based operating subsidiaries, Cable & Wireless (Hong Kong) and Hongkong Telephone.

The statement, which officials said was intended more to clarify what the group is not doing rather than what it intends to do, was triggered by a week of rumour in the British territory over the future of Hongkong Telephone.

Trading was suspended yesterday in Hongkong Telephone shares. The suspension price—HK$17.20 a share— compares with a price of just HK$13.60 at the end of August.

Share dealings will resume tomorrow, though it is expected to be several weeks before the terms of any reorganisation plans are clarified. Executives insisted that no firm plans had yet been formulated.

Cable and Wireless plc holds an 80 per cent stake in the unquoted Cable and Wireless (Hong Kong), with the Hong Kong government holding the remaining 20 per cent. The company has a monopoly franchise to handle all international telecommunications traffic passing through Hong Kong.

Hongkong Telephone, in which Cable and Wireless plc also holds almost 80 per cent, is listed on the local stock exchange, and has a franchise to handle all local voice telephonics.

The two companies operate separately, but together contribute about three-quarters of the UK company's annual profits.

Company officials insisted yesterday that the reorganisation plans were completely unrelated to the purchase last week of a 4.9 per cent holding in Cable and Wireless plc by three Hong Kong companies controlled by Mr Li Kashing, one of the territory's most powerful business figures.

Cable and Wireless executives made it clear yesterday that the company had for some time been keen to reorganise its Hong Kong operations, not by merging the two companies—which has often been making them wholly-owned subsidiaries of a Hong Kong-based holding company.

The company has been discussing since early this year with Hong Kong government officials on how reorganisation of Cable and Wireless (Hong Kong) might be achieved. The government acquired its holding in 1981 for just under HK$800m (US$102.5m). This is now held in the government's exchange fund.

The Government refuses to make public the value it puts on this holding today. Nor is it willing to disclose the terms of its purchase agreement, which define the circumstances in which it is entitled to dispose of the stake.

Nevertheless, a critical element in the success of the reorganisation is agreement with the government on the value of Cable and Wireless (Hong Kong), and thus the current worth of its minority holding.

Ever since purchase of its holding, the Hong Kong Government has said that its long-term intention would be to put its stake in public hands. Reorganisation as such does not force it to move now, but may well do so.

Since Hongkong Telephone is a publicly quoted company, the calculation of its relative worth is less complicated. As with Cable and Wireless (Hong Kong), however, minority shareholders must be offered a deal that makes it appealing to exchange their existing shares in an enlarged telecommunications group.

The Cable and Wireless statement yesterday quashed rumours that telephone shareholders might be offered a cash alternative in any reorganisation. This speculation had played an important part in exciting Telephone's share price in recent days.

Jump in after-tax profits at Poseidon

By Bruce Jacques in Sydney

POSEIDON, star of the 1969-70 Australian nickel boom, has lifted after-tax profit from a meagre $A429,000 to $A16.25m in the year to June 30, riding on both higher gold production from its subsidiaries and affiliates and booming Australian dollar gold prices.

Gold production from Kalgoorlie Mining Associates (KMA), in which Poseidon has an effective 26 per cent stake, exceeded 250,000 ounces for the first time in the year. This augurs well for the planned $A230m float of the Australian assets of the US-based Homestake group, which has a 48 per cent stake in KMA.

Poseidon directors said profits from its subsidiaries, Australian Development and Minerals, Mining and Metallurgy, had also risen and their prospects had been improved by significant extensions to ore reserves.

The result followed a dip in Poseidon's exploration spending from $A6.1m to $A2.9m. The annual dividend is unchanged at 10 cents a share. Tax took $A1.67m, compared with $A240,000 previously, depreciation was $A3.95m against $A3.75m and the result excluded an $A1.53m extraordinary loss compared with a $A8.06m loss.

MoF in battle over NTT commissions

BY STEFAN WAGSTYL IN TOKYO

THE JAPANESE Ministry of Finance (MoF) is battling with Tokyo securities companies to reduce underwriting commissions on the forthcoming Y5bn-plus sale of shares in Nippon Telegraph and Telephone.

The MoF is trying to hold commissions down to around 2 per cent so that total payments to underwriters — on what will be the world's largest public offering — are kept below Y100bn.

The underwriting syndicate, led by Nomura Securities, is arguing strongly in favour of a 3.5 per cent payment — the standard Tokyo commission on stock offerings by private companies.

Ministry officials declined to comment on reports that they had set a ceiling of 2 per cent on commissions but said that negotiations were "very difficult."

Nomura said that the commission payment had to cover not only the underwriters' expenses but also their services in taking a risk. "If the price of NTT shares falls more than 3.5 per cent then we face a big loss."

Securities brokers say the negotiations could drag on until close to November 10—the date set for the sale. The shares are to be priced at a 8.5 per cent discount to the closing price on November 9 on the Tokyo Stock Exchange.

The first sale of shares in NTT last year was by tender and so no precedent was set on underwriting commissions. However, several years ago the Government paid commissions of 2.16 per cent on the sale of part of its holding in Japan Air Lines (JAL):

DBS Land to offer 300m shares on Singapore SE

BY ROGER MATTHEWS IN SINGAPORE

IN THE largest public offer since Singapore Airlines went public in late 1985, DBS Land, the property arm of the government-owned Development Bank of Singapore is seeking a listing on the Singapore stock exchange.

DBS Land is reportedly to offer 300m shares at a probable price of S$1.35 a share. The company has an issued capital of 586m shares of S$1 par value, which would give it a market value of around S$800m (US$384m).

DBS Land will be offered locally and internationally, the proportions depending on the strength of domestic demand. With evidence of a resurgence in the Singapore property market, investors have the opportunity to buy into what will become one of the country's three largest property companies.

DBS Land has a broad-based portfolio ranging from a large shopping complex, through residential houses to factories and warehouses.

The foreign placement is to be managed by at least three international firms, probably including Daiwa Securities, S. G. Warburg and Goldman Sachs.

First-half decline at Genting

By Our Kuala Lumpur Correspondent

GENTING THE Malaysian casino, property and plantation group, has reported pre-tax profit of 88m ringgit ($33.2m) for the six months to June, a 12 per cent decline, in turnover marginally lower at 193m ringgit. Profit after tax and minorities was down 28 per cent at 41m ringgit.

The group said the results were not comparable to the previous corresponding period which did not contain the results of Genting International Limited (GIL).

GIL, which operates casinos in Australia and the Bahamas, is now 15 per cent owned by Genting, after a restructuring exercise last year in which GIL shares were distributed to Genting shareholders.

The interim dividend is 10 cents, compared with 9 cents previously.

Sesdaq listing for high tech Singapore group

BY OUR SINGAPORE CORRESPONDENT

SINGATRONICS, one of Singapore's liveliest home-grown high technology companies, yesterday became the seventh company to offer its shares to the public through Sesdaq, the unlisted securities market which, after a hesitant start is slowly beginning to attract more interest.

The 23m shares of 20 cents par value offered were priced at S$1.10 each. Singatronics had initially sought a main board listing but was encouraged by the authorities to apply instead to Sesdaq. The scripless, screen-based market was launched in February with some brokers expressing scepticism about its capacity to attract the right sort of companies.

"Singatronics is exactly the type of company that is needed to help Sesdaq off its knees," a broker commented yesterday. "It is local, it is successfully developing its own products, and it is selling abroad."

The company began by making pocket calculators, developed into a contract manufacturer of computer products and recently moved into healthcare products.

The estimated S$19m raised by the flotation will be used to bring the company's operations under a new roof, to acquire new technology and to provide additional working capital.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Haig Simonian on likely further liberalisation of D-Mark bond issuing

Long wait ends for Japanese banks

SENIOR EXECUTIVES from the six Japanese investment banks in Frankfurt will be visiting the Bundesbank later today, almost certainly to hear that they will soon be allowed to lead manage D-Mark Eurobonds.

The decision will bring to an end a long wait for the Japanese, who were deeply disappointed when they were excluded as lead managers in May 1985, when issuing rules were liberalised to allow other foreign banks to run D-mark deals.

However, the impending good news has triggered some rather un-Japanese mutual sniping between the leading houses as they jostle for the kudos of leading the first D-mark issue.

Both the Industrial Bank of Japan (Deutschland) and Nomura have strong claims to that privilege. IBJ is the oldest-established Japanese investment bank in Germany, having been here 35 years. The fact that Deutsche Bank has a quarter stake in IBJ's Frankfurt securities subsidiary adds an extra touch of class and respectability.

Meanwhile, Nomura is by far the largest Japanese securities house in the world and has already become a leading force in the London Eurobond market.

If, as is widely expected, Mr Claus Koehler, the Bundesbank's director responsible for capital markets, and Mr Karl Thomas, his right-hand man, give today's Japanese guests the green light to lead manage deals from October 1, then both IBJ and Nomura are expected to overcome the question of prestige by launching issues simultaneously.

The bonds may not come on October 1 (a Thursday), however, but more likely on Monday, October 5, in order to satisfy the central bank's two-day notification period for new D-mark Eurobond issues.

IBJ is expected to launch a straight deal in its own name, while Nomura will issue an equity-convertible bond for Sodick, a small, specialised manufacturer of electrical discharge machines.

While the size of the IBJ deal is not known, that for Sodick will be a relatively modest DM 50m, though it may go up slightly, according to Mr Volker Stellter, the bank's new head of syndications.

Both banks are keeping remarkably quiet about their impending new transactions. Neither wants to exacerbate the concern in certain German banks about how the market will develop with Japanese participation. A few local bankers are certainly worried that the Japanese may eventually swamp the market or seek to buy market share by challenging existing rate and commission structures.

As a result, executives at both IBJ and Nomura emphasise that they want to proceed cautiously at first—though they quickly add that they already have other issues in the pipeline.

IBJ explains: "We would not want to bring the first deal for a third party," arguing that it wants to test the German waters first.

Its second transaction will be a different matter, however. The name of the likely borrower remains unknown, though the bank says it will probably not be for Hokkaido Electric Power, as widely rumoured in Frankfurt.

In February IBJ hosted its first presentation in Germany for the Japanese utility, leading many to jump to the conclusion that this would be its first issue for a third party. But the bank points out that it has held a number of similar events for other borrowers since. "No one checked this report with us," it says.

It is still uncertain whether Deutsche Bank will co-lead the first IBJ issue or just come in as a co-manager. According to an IBJ executive the question has still not been decided. But the German bank is sure to feature prominently in the second bracket in any event, even if it does not share lead status.

The months of waiting for the right to run deals may explain the mutual criticisim now occasionally to be heard among some Japanese securities houses in Frankfurt in the run-up to the first transaction.

Some suggest that Nomura could face problems with its issue as it is short-staffed in Frankfurt. The bank has no secondary D-Mark traders there and its planned team of two or three people will not be in place until the New Year. Moreover, Mr Stellter joined only on September 1 from Paribas and, before that, Westdeutsche Landesbank.

Some critics add that the deal for Sodick—a little-known name with profits of Y601m ($4.2m) on sales of Y18.9bn in its last business year—is "virtually an in-house transaction." Jafco, Nomura's venture capital subsidiary, has been close to the company and retains a 4.1 per cent stake in it.

The innuendoes are by no means one-sided. IBJ's detractors reckon the present bearish state of the straight D-Mark Eurobond market may mean it will have a hard time with its deal, and they hint that it might have to be postponed.

The bank says it is fully aware of the present difficulties. "We would launch the deal on a cloudy day in the market but not a rainy one," it maintains.

Whatever the sniping, there should be little to worry investors in either transaction. Neither bank is likely to sit by and see its first Euro-D-Mark issue turn into a flop. So while some of Nomura's critics may speculate about the fate of the Sodick bond in two years' time, all agree the bank will support the deal strongly to begin with. Likewise IBJ with its issue.

Probably the most important difference between the two houses in the run-up to lead-managing issues is their apparently differing degree of dependence on their larger units in London. IBJ (Deutschland), the longer established of the two, seems more independent than Nomura. Thus secondary market trading of the Nomura D-Mark issues will, for the time being, be conducted out of London.

Other Japanese securities houses in Frankfurt, especially the Bank of Tokyo, are also said to be planning issues.

However, Japanese investment bankers do not expect a flood of new paper while the market remains so depressed and especially while German interest rates remain higher than those in Switzerland. If that rate of relationship alters, however, Japanese borrowers will waste no time taking advantage of cheaper German funds.

Kuwait forecasts borrowing of KD1.4bn

BY ANDREW WHITLEY IN KUWAIT

THE KUWAITI Government has announced it is to raise up to KD 1.4bn ($5bn) from the local capital market in the current financial year, to June 1988, to cover a large anticipated budget deficit.

Treasury bonds with maturities of between one and 10 years are to be included among the borrowing instruments—for the first time in the Gulf—after Cabinet approval of a new law over the weekend.

Details of the terms and conditions of the bond issues remain to be worked out. It was unclear yesterday, for example, whether foreigners will be permitted to participate. But bankers in Kuwait expect a coupon of about 7.5 per cent.

The move has been widely welcomed as a measure that will pave the way towards the establishment of a full-fledged local capital market, and will help insulate the domestic money supply from adverse changes in the external balance of payments.

On the commonly accepted definition, which excludes foreign investment income, Kuwait has run in budget deficit since its 1981-82 financial year.

The gap, varying between KD 800m and last year's unofficial estimate of KD 1.3bn, has until now been met largely by drawing down the general reserve.

Earlier this year the local capital market was reopened to foreign borrowers after a four-year closure. Since then the Republic of Finland and the World Bank have raised KD20m ($72m) and KD 30m ($109m) respectively for seven-year issues bearing 7.5 per cent coupons.

When Mr Jassem al-Kharafi, the Finance Minister, announced the 1987-88 budget in June, oil revenues were forecast pessimistically at KD 1.73bn against planned expenditure of KD3.36bn. Since then, however, both oil prices and Kuwaiti production have risen higher than anticipated, considerably reducing the likely end-year deficit.

Eurosterling issues slip after firm opening

By Clare Pearson

EUROSTERLING fixed-rate bonds formed the main focus of attention in the Eurobond market yesterday, as prices opened sharply up in continued reaction to last week's better than expected UK economic data.

However, later in the day bond prices gave up initial gains of between ¼ and ½ percentage points on concern that Eurobonds, some of which now yield as much as 25 basis points less than gilts, were getting too expensive. The expectation of further supply in the primary market also created caution.

Eurodollar bonds experienced price rises of about ¼ point in spite of a quiet US Treasury bond market.

Dealers said the rash of short covering in the Eurodollar sector was inspired by the expectation that meetings of top economic policy makers in Washington later this week would reaffirm current dollar exchange rate bands.

In the primary market, however, the bid prices of a recent $1bn three-year bond for Italy

INTERNATIONAL BONDS

and a $350m five-year issue for Sweden remained broadly unchanged at 99.30 against a 100¼ issue price and less 1.40 respectively.

In the D-Market market, trading was subdued although prices rose by about ¼ point on professional short covering. Dealers said investors were still holding back from committing funds to DM bonds at the moment.

In the domestic market, however, a DM 2bn 6¾ per cent 10-year bond for the Federal Post Office was trading at around less 1.40 bid, an improvement of nearly ½ point on its level last Friday.

CSFB - Effectenbank announced a DM 150m bond for Electrowatt Finance, the Swiss utility, bearing equity warrants which may be traded interchangeably with those of a SFr 125m 2¾ per cent bond launched last week. The deal was bid at its par issue price.

Each DM 1,000 seven-year par-priced 3¾ per cent bond carries one warrant maturing in June 1992, and one in June 1993, both of which are exerciseable into participation shares. The exercise price will be fixed today.

Prices of Swiss franc bonds were unchanged, although in increasing volume. A SFr 200m 15-year 5¾ per cent bond for Air Canada closed its first day's trading at 96¼, compared with a par issue price.

Swiss Bank Corporation led a SFr 100m 10-year floating rate note for Electricite de France. The bond pays interest at six month London interbank offered rate, but there is a floor at 2 per cent and a cap at 7 per cent. The par-priced bond is callable on each coupon date at par.

Chase Manhattan Bank (Suisse) set the exchange rate for the currency warrants on a SFr 50m 3 per cent bond for Denmark at SFr 1.50 to the dollar. The warrants have a two-year life.

£150m package for Thorn EMI subsidiary

By Alexander Nicoll

A £100m STANDBY revolving credit and £50m sterling commercial paper programme are being arranged for Trinity House Finance, a consumer credit subsidiary of Thorn EMI, the UK electrical group which already has a £100m paper programme through Thorn EMI Finance.

Trinity House, which provides credit to customers of Rumbelows, Thorn EMI's electrical retailing division, has mandated Kleinwort Benson as arranger for the financings, with Barclays de Zoete Webb and Midland Montagu Commercial Paper as additional dealers.

The standby is for three years but other details have not been disclosed.

Separately, National Westminster Australia Bank is to have a $500m Eurocommercial paper programme to expand its funding capabilities without attracting withholding tax. County NatWest, Merrill Lynch Capital Markets and Shearson Lehman Brothers International will be dealers.

Italian insurer's premiums rise

TORO ASSICURAZIONI, the Italian insurance group, said group premiums rose 10.8 per cent to L718bn ($552m) in the first six months of 1987, compared with the 1986 period. It gave no profit figures, Reuter reports from Milan.

Toro said in a statement that parent company premiums rose 14.8 per cent to L350.4bn in the first half. Premiums in the life insurance sector rose 34.8 per cent. Operating investments rose to L1,603bn, against L1,474bn.

Tokyo may tighten curbs on banks' overseas assets

BY YOKO SHIBATA IN TOKYO

THE JAPANESE Ministry of Finance is considering tightening curbs on loans other assets held abroad by Japanese banks, in order to get a better grip on the growing contingent risks arising from off-balance sheet business.

The ministry intends to reduce the maximum permitted ratio of foreign assets to foreign net worth to 2.5 times from the current 3.5 times, by the end of this year.

The ministry plans to tighten its curb on banks' overseas assets as an interim measure before the completion of the new international regulations on capital adequacy, currently under discussion between central banks under the auspices of the Bank for International Settlements (BIS), which are not expected to come into force for at least two years.

Japan is expected formally to introduce new risk asset ratios once the BIS has agreed on its outlines; according to MoF officials.

The reduction in the foreign assets to foreign net worth ratio is intended to force Japanese banks to delay their attempts to build up market share overseas until they have increased their worth.

Tighter monitoring, in the form of measuring risk asset ratios, was introduced in September 1986 in place of the previous system of measurement by asset gearing ratios, under which a bank's total claims on non-residents must not exceed 14 times its capital.

The MoF has also announced the weightings to be included in the new risk asset ratio, which they have been asked to report quarterly to the MoF.

The upper limit on foreign assets of 3.5 times foreign net worth ratio includes 70 per cent of banks' unrealised gains on their securities holdings (the difference between book and market value).

In past years, Japanese banks have expanded their overseas assets aggressively. However, their net worth has also increased substantially through their new share isues at market prices or issuance of foreign currency convertible bonds, as well as through the rapid increase in their unrealised gains from securities holding in step with the rising stock market.

As a result, risk asset ratios have in several cases declined. In the case of the city (commercial) banks, the average risk asset ratio is between 1.6 and 1.9 times, with the highest ratio at around 2.2-2.3 times.

The MoF is worried that the current ceiling of 3.5 per cent on risk asset ratio could leave Japanese banks too much space to expand their overseas assets.

The big Japanese banks have continued to draw strong criticism from their US and European counterparts, which have often accused them of "buying" market share in international financial services and of quoting bargain-basement prices to borrowers by taking advantage of relatively lenient supervision in Tokyo.

The MoF is keen to forestall the further expansion of what it sees as unhealthy and highly risky practices by Japanese banks.

In the Japanese view, progress has been made at the BIS towards formulating outline standards for capital adequacy ratios. Japanese bankers say the US authorities have accepted the Japanese argument that banks' unrealised gains from their holdings of securities should be taken into account in computing their capital ratios.

However, it seems likely that only about 30 to 50 per cent of these unrealised gains is expected to be taken into account in calculating a bank's capital, rather than the 70 per cent accepted in Tokyo.

$600m St Gobain facility launched

BY ALEXANDER NICOLL

A $600m multi-option facility for St Gobain, the French industrial group, was launched yesterday by BNP Capital Markets with a structure enabling it to borrow both in domestic French francs as well as Eurocurrencies.

The facility fee is five basis points for the five-year financing, which is extendible for two years after the first two years. The interest margin for French franc borrowings is set 10 basis points above Paris interbank offered rates, while for other currencies there is no margin above London interbank offered rates.

The borrower will pay utilisation fees of two basis points if drawn up to one-third, four basis points if it is more than one-third drawn and six basis points if it is more than two-thirds drawn. Banks committing $30m will get a six basis point front-end fee, with lower fees for smaller management participations.

Co-arrangers with BNP are Banque Indosuez, Credit Lyonnais, J. P. Morgan and Societe Generale. Advances will be made through a tender panel structure and St Gobain will entertain direct bids for acceptances. The financing replaces existing bank lines.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 21

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

UK COMPANY NEWS

All-round growth gives Tarmac 75% upsurge

GOOD MARKET conditons and relatively much better weather, together with a contribution from acquisition gave the Tarmac group an advance of 75% in pre-tax profit in the first half of 1987.

Chairman Sir Eric Pountain said that the first half of 1987 has seen the group ready and able to seize the opportunities presented by better trading conditions. The group is firmly on course for another good year.

In the period turnover rose 31 per cent to £973.9m (£742.2m), operating profit 60 per cent to £93.9m (£58.8m), and pre-tax profit 75 per cent to £83.2m (£47.5m).

Earnings moved up to 7.2p (4.9p) per share and the interim dividend is lifted to 2p (adjusted 1.225p) to relate it more closely to the half year profitability. The 1986 total was 5.545p from profits of £170.5m.

Sir Eric reported that the quarry products division benefitted from the more open winter in UK and widespread strong demand, and achieved a record performance. Building materials also reflected the strength of demand.

Tarmac America saw a creditable result with impressive opening contributions from Tarmac-LoneStar in Virginia and the Carolinas and from Massey in California. The Texas operations continued to be affected by that State's depressed oil dependent economy.

Construction division produced a strong result and the housing side again did outstandingly well.

Trading continued buoyant in most activities throughout the summer and, with strong order books across the group, the outlook for the year was a further one of marked progress, the chairman concluded.

Morgan Crucible tops £12m

SIR JAMES SPOONER, chairman of the enlarged Morgan Crucible Company, revealed yesterday that profits for the first half of 1987 had improved by 17 per cent at the pre-tax level to £12.3m.

He added that Morgan's opportunities for growth had never been greater despite uncertainties in world markets and currencies

The half year saw sales grow by 28 per cent to £143.6m (£112.4m)—the group has interests in carbon products, technical ceramics, thermal ceramics, speciality chemicals and electronics.

Operating profits pushed ahead from £11.9m to £15.5m. The pre-tax tally was struck after adding in investment income of £0.5m (£0.2m) and deducting sharply higher net finance charges of £3.7m (£1.6m).

Tax of £3.2m (£3m) left net profits at £9.1m compared with £7.5m. After minorities and a provision for preference dividends the available balance for ordinary shareholders worked through £1.7m higher at £8.9m.

The interim dividend is being stepped up from 4.2p to 4.6p from earnings per 25p share of 9.4p (8.6p).

Sir James said that although trading conditions were variable around the world and there had been a slowing down of many of the European economies the carbon products business still managed to return substantially higher sales and profits.

Technical ceramics also had a good first half as did thermal ceramics which produced a 29 per cent improvement in operating profit on a 16 per cent increase in sales.

Overall, the effects of currency changes were worse than last year. Pre-tax profits would have been £0.8m higher at 1986 average exchange rates.

The acquisition of Holt Lloyd will treble the size of Morgan's speciality chemicals division.

*Comment

Although these figures were slightly down on market estimates - resulting in a 6p share price markdown to 354p - Morgan Crucible could point to special factors; currency movements cost it £800,000 and a delayed order means that £500,000 of electronics profits will pass into the second half. Although defence purchasing logjams held back the group there were some good divisional performances, especially from carbon where organic growth nearly matched the contribution from the acquisition of National Electrical Carbon. In the second half, Holt Lloyd is expected to add around £3.5m, pushing the pre-tax figure up to £34.5m; although the group paid a hefty multiple for Holt, shrewd tax planning should mean the effect is earnings-neutral this year. Without the Bell stake the shares look fairly rated on a prospective p/e of 15.

Gabicci profit over £1m mark

Gabicci, the north London designer and supplier of casual menswear, yesterday said that its pre-tax profits for the year to June 1987 rose by 28% to break through the £1m level at £1.09m.

The company, which has made steady progress since its debut on the USM in 1984, increased its turnover by 49% to £14.46m. Earnings per share were 11p(8.3p), up 32%.

One of two companies acquired by Gabicci within the space of two months earlier this year, the Manchester-based Shemesh Fabrics bought on April 1, was "making satisfactory progress", said Mr Jack Sofier, chairman.

The Coconut Club division, which concentrates on young and trendy clothes, is looking to a profit in the coming year (its second year of trading) after incurring initial start-up costs, according to Mr Sofier.

Gabicci plans to focus its attention on the high margins and increasing turnover of this aspect of its business, along with the promotion of other brand names.

The Shaw French division, which represents a low margin, high turnover area for the company, had been disappointing and was being closed, said Mr Sofier.

Closure of the Olympic Gold sportswear division early this year resulted in an extraordinary item of £93,000.

The final dividend is 2.2p making 3.3p for the year (3p).

NatWest to raise £100m in Japan

BY RICHARD WATERS

National Westminster Bank is to raise £100m through a share issue in Tokyo at the end of next month in a move to strengthen the bank's position in Japan.

The sale, which has yet to be approved by the Japanese Minister of Finance, is designed to establish a wide spread of institutional and private investors.

It is also meant to enable shareholders to trade NatWest shares around the clock. Like the bank's £118m issue of American Depository Receipts in New York last year, it is aimed at creating an international market for the bank's shares.

In a similar move, Barclays Bank issued shares simultaneously in Tokyo and New York earlier this year, raising £210m.

NatWest has 150 staff working from one Tokyo branch, and plans further growth.

The bank's offer for sale, representing up to 2.4 per cent of current issued share capital, is permitted by a blanket authority from shareholders obtained at the annual general meeting in April. This enables it to issue up to 5 per cent of authorised shares without further approval being sought. Chairman Lord Boardman has written to shareholders to explain the reasons for the issue.

Barclays is believed to be disappointed with the way a large proportion of its shares returned to London immediately following its issue in Tokyo this year. About half the 28m shares taken up in Tokyo are thought to have been sold as investors cashed in on a rapid rise in Barclay's share price - although many of these have since been taken up again.

Seven out of every 10 shares that NatWest issued in New York this year have since returned to London.

The shares will be offered at a discount of about 1 per cent, well below the 2½ per cent traditional on the Tokyo stock market.

The issue, to be led by Nomura, the Japanese securities house, is expected to cost £6½m. About half of this will be paid to Nomura and the group of underwriters it is assembling, with the rest going in taxes and other professional fees.

David Lascelles considers Kleinwort Benson's rights issue

Tonic for flagging fortunes

'IT GIVES US a bit more ooomph!', Mr Michael Hawkes, chairman of Kleinwort Benson, said yesterday, explaining the reasons for his £143.6m rights issue.

A tonic seemed due for the group, which ranks among the largest of the City's merchant banks.

The combination of weaker profits, caused by Big Bang, and some aggressive tactics by rivals like S.G. Warburg Group had left Kleinwort looking a bit laggardly. But Mr Hawkes maintained that the rights issue, along with at least $100m to be raised shortly through a debt issue, would push Kleinwort back to the top of the merchant banking league, and give it the resources to achieve its ambitious global expansion plans.

Yesterday's interim results showed pre-tax profits of £37.9m, or 24.6p per share. The comparison with the £57.7m (41.9p) last time was unflattering.

But Mr Hawkes pleads that this is misleading. Last year's first half came before Big Bang, and before Kleinwort had fully integrated Grieveson Grant, its new stockbroking subsidiary. The more accurate comparison is with last year's second half when Kleinwort reported £21.1m (12p).

The bulk of Kleinwort's profits, before the deduction of interest on loan capital, came from merchant and investment banking, with £41.3m. Banking and treasury activities produced record results and there was a good contribution from corporate finance which was picking up after a dip in mid-year. But the bullion broking business of Sharps Pixley was down.

Although the bank has about £80m in loans to Third World countries, it has already established provisions equivalent to more than 40 per cent of its exposure.

The big losses, about £7.5m, came from the new securities activities which place Kleinwort among the largest of the new City conglomerates. Its US dollar fixed interest operations and in its gilt-edged dealing suffered losses. It also lost money making markets in Euro-warrants, and has decided to close that activity.

The UK equity business has run into severe back office problems which have resulted in huge additions to costs. About 140 people are working on the problem, including 60 consultants. And there have been heavy interest charges from carrying up to £400m, now down to £70m, in unsettled deals.

The difficulties have forced Kleinwort to take the unusual step of transferring funds from its inner reserves to meet the bill. Mr Jonathan Agnew, who is in overall charge of the securities side, said: "We believe the Stock Exchange is fairly pleased with what we have done."

Kleinwort employs £150m of capital in its securities activities, and is assuring shareholders that it believes the steps it has taken to get them right "should result in a satisfactory return in the future."

The investment management side, which has about £10bn of funds under its control, made profits of £3.8m, which was down from £6.4m last year. But the group has been largely reorganised and is spending heavily to develop its Barrington unit trust business, and its activities in Tokyo.

The group tax charge was £13.7m, leaving an after-tax profit of £24.2m. The interim dividend is being maintained at 5.3p per share, and the board expects to maintain the final dividend at 8.7p as well.

Michael Hawkes: comparisons misleading

The were taken in the City yesterday as a sign of the much-predicted strains that Big Bang would place on merchant banks as they fought for a place in intensely competitive markets. None of Kleinwort's Big Bang-related operations (gilts, equities) are generating good profits, though the group blames a combination of difficult trading and the fact that these are still early days.

The rights issue, though, is intended as a token of its determination to take bold steps to secure its market position. Mr Hawkes disclosed yesterday that he had originally been considering a one-for-four issue, but decided on a one-for-three after being advised that the market could take it.

At the moment, Kleinwort's disclosed capital resources total £613m. The combined proceeds of the rights issue and the planned debt issue will take that to about £800m, leapfroging Warburg, with about £700m, and Morgan Grenfell with a little more than £600m.

In global terms, it will put Kleinwort among the smaller US investment banks. The group will shortly be opening a new office in New York, with 80 dealer positions, emphasising its growing presence there in the equity and debt markets, as well as its swaps and financial futures activities. In Japan, Kleinwort hopes to obtain a covetted membership of the Tokyo stock exchange early next year, completing its membership of the world's major stock markets. Staff there are being increased from 100 to 135.

Apart from giving the group more muscle in the markets, the extra cash will enable it to raise its maximum lending limits under the Bank of England's rules. These stop a bank making loans to an individual borrower equivalent to more than 25 per cent of its capital, and have prevented Kleinwort obtaining big participations in loans and underwritings.

Another thought not too far back in Kleinwort's mind is its independence. By taking on extra capital, it hopes to reinforce its ability to stand on its own at a time when merchant banks are caught up in a swirl of takeover speculation, and one of them, Hill Samuel, has admitted that it needs a partner. In some people's view, Kleinwort may still be too small to claim a place on the global stage, even after its rights issue, though that claim will have been strengthened.

The rights issue does, however, mean that the family interests which have protected Kleinwort in the past will be reduced. The core family group holds about 33 per cent of the shares, which is expected to fall to 25 per cent.

Armstrong Equipment lower

PRE-TAX profits at Armstrong Equipment, Humberside-based engineer, were slightly lower for the year to June 28 1987 but the board is recommending a higher final dividend.

Despite greater-than-expected losses in a number of operations profits came to £7.7m (£7.9m) on sales of £121.7m (£126.9m). Earnings per 10p share were 12.9p (13.4p) and the final payment is 2.4p (2p), making a total of 3.3p (2.75p).

There was an extraordinary charge of £13.3m (£400,000), up from the £9m provision announced at the interim stage, which left the company with a loss for the year of £6.6m, against a profit of £6.5m last time.

Mr Roy Watts, chairman, said the provision covered the trading losses of offshoots which had been sold or were about to be sold from the time of the decision to dispose of them. He added that the unprofitable businesses had been largely sold.

He said that the company had a strong product and market base with firm demand for the core business and he was confident of the future.

Trading profit came out at £10.3m (£11.4m) and the pre-tax figure was struck after interest charges of £2.6m (£3.5m). Tax took £1m (£900,000) and dividends absorbed £1.7m (£1.4m). Last time there were minorities of £100,000.

Mr Watts said that the strengthened board had introduced improved financial controls, a new structure and approved the sale of under-utilised sites, including the head office, for £4m cash. Action was also being taken to cut operating costs in all sectors.

Gearing at the year-end was 61 per cent with net borrowings of £21.3m. Action had since been taken to reduce that to a more acceptable level.

The pension fund showed a surplus of £16m and Mr Watts said that the board was evaluating its options for dealing with that. In the meantime the company was continuing to limit its contributions.

*Comment

Yesterday's figures were clearly a disappointment. The extraordinary charge was £4.3m in excess of the company's £9m prediction made in the spring when chairman Roy Watts announced that the 14 unprofitable companies would have to go. The charge reached £13.3m because of worse than anticipated losses and because the company did not get as much for the disposals as expected. Basically the problems were well identified, but it has taken longer to sort them out than had been thought. Now Armstrong has been honed back to the core business, the question is what can the new management make of the existing business. The automotive side is looking good with inquiries up. The fastenings business is well capable of holding its own. Gearing is too high at 60 per cent but should drop to 30 per cent by the end of this financial year. The shares closed 13p down at 201p. Assuming pre-tax profits next year of around £10m, that puts them on a prospective p/e of 12, not unreasonable but taking a bit on trust.

Oceana Consd profits down

Because of heavy development costs Oceana Consolidated Company suffered a reduction in profit from £324,00 to £220,000in the year ended March 31 1987. The dividend is held at 1.1p.

Trading activities continued to expand and results reflected the first full year contribution from Oceana Asset Management. Heavy costs and the provisional write-down of the investment portfolio led to a loss on its trading actovities.

Over the year, dividends and interest income was £268,000 (£249,000), other trading income £294,000 (£221,000), and there was a profit on sale of investments £97,000 (£103,000). Earnings per share were 2.34p (3.4p).

Antler ahead midway

Antler, maker of luggage and travel goods, increased its pre-tax profits by £30,000 to £550,000 over the half year to end-June. Turnover rose from £5.12m to £5.57m.

The directors were satisfied with the start to the second half and said they expected a satisfactory full year assuming there was no downturn in the UK economy.

Meanwhile, they are paying a maiden interim dividend of 1.3p. The company came to the USM in April 1986 and for the period to December paid 2p. Half year earnings amounted to 6.1p (5.4p).

China & Eastern ahead

China & Eastern Investment Trust had net asset value per share of $2.37 basic ($1.23) at its year end of July 31 and by the end of August nav had risen to $2.5 per share, or $2.25 allowing for full exercise of warrants.

Profit before tax for the year soared to $1.88m ($827,560), with basic earnings per share of 9.56 cents (4.77). The ordinary dividend is 3 cents (2.2) and there is a special 1.6 cents dividend.

The chairman said shareholders should benefit from the exceptional level of profits, but should not asssume the special dividend would be repeated. The outlook for the current year remained positive.

UK COMPANY NEWS

David Buchan and David Waller consider Ferranti's merger with ISC

Defence combination has Pentagon appeal

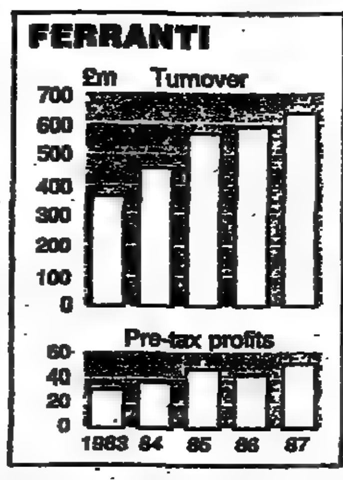
STOCKBROKERS were unanimous yesterday in praising the industrial logic of the merger of Ferranti and International Signal & Control to create a defence electronics company withturnover and market capitallsation of £1bn and pre-tax profits of an estimated £100m for the year to the end of next March.

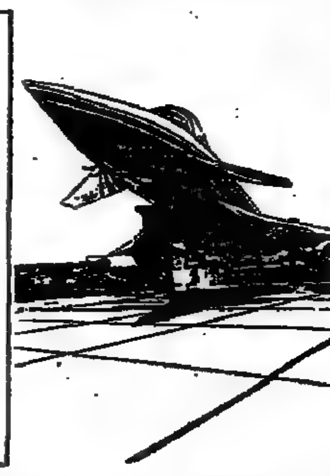
The companies are remarkably complementary in their markets and products. Ferranti is strong in the UK and its sales are generally oriented around its own products. By contrast, ISC is better established in both the US and certain other areas of the world as a builder of complete systems on a turnkey basis.

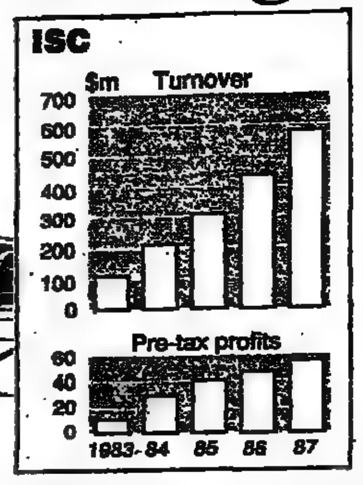
They were less keen yesterday to emphasise the other key factor they have in common: severe share price underperformance in recent years, which has made them both feel vulnerable to predators.

Ferranti's shares have underperformed the market as a whole by 60 per cent since Autumn 1982, when post-Falklands euphoria abruptly ended in the face of Mr Michael Heseltine's determination to cut the costs of defence procurement.

Ferranti suffered more than most in the sector's subsequent derating, as its profits were afflicted further by its exposure to the market for electronic components. Last year, profits from the components division slumped by £6.6m to £3.7m.







ISC's shares slumped by nearly 45 per cent relative to the market in the run-up to last week's brokers' visit to the company's US operations. Its problems stemmed less from exposure to cyclical markets, than from its unusual status as a US-based defence contractor with a listing on the UK stock market, deriving the bulk of its profits from a handful of unidentified Third World customers. This fuelled investorincomprehension, aggravated by a public relations debacle in June, when profits of $56.6m fell far below consensus forecasts.

Growth in ISC's profits and turnover has nevertheless been spectacular from $15m pre-tax profits five years ago when the company came to the market, to an estimated $70m for the present year. Without the merger with Ferranti, ISC was expected to achieve turnover of $1bn within two years, against just $108m in 1982-83.

Hampered by their lowly ratings, both companies have found it difficult to expand by acquisition in an exceedingly cash-hungry industry.

Perhaps the biggest plus for Ferranti is the privileged access it will gain to the growing volume of classified or sensitive defence work in the US, via the proxy board which ISC has established for its own Pentagon business. Mr James Guerin, the ISC chairman, explained that companies like his, which were more than 10 per cent foreign-owned, were required to have some screening system approved by the Pentagon. In the case of ISC, this took the form of a three-man proxy board, with such luminaries as Admiral Bobby Inman, a former Central Intelligence Agency deputy director, on it. Future Ferranti bids for US contracts could now be channelled through this board.

The UK Ministry of Defence would still remain, for the time being, the largest single customer of the combined group, accounting for 25 to 30 per cent of total sales, Sir Derek Alun-Jones, the Ferranti chairman said.

Ferranti recently lost a prime submarine command and control contract for the Royal Navy to UK rivals, and is having to compete hard, by developing a new system, to maintain its traditional leadership in frigate command sytstems. However the new company could be able to take a shot at the dominant UK position of British Aerospace and Short Brothers in missile prime contracts, Sir Derek said.

Ferranti makes missile guidance and seekers, while ISC makes missile propulsion systems, a capability which Ferranti had earlier wanted to gain from Royal Ordnance. Ferranti dropped its bid for RO this spring, because it did not want to buy unrelated parts of RO.

Other complementary aspects of the two companies' product lines include Ferranti's speciality in airborne radar, tying-in with ISC's ground and ship surveillance radars, and Ferranti's development of safety and arming devices for munitions of the tactical airborne type which ISC already makes.

In retrospect, Ferranti seems to have been well advised not to have pursued its bid for RO, and to have carried its parallel negotiations on merger with ISC through to a successful conclusion.

Ransomes Sims ahead by 31%

PROGRESS MADE by the Ransomes Sims & Jefferies group of machinery makers in the last few years was maintained in the first half of 1987.

Mr H.A. Whittall, chairman, said so far the year had been another of positive cash flow despite four acquisitions being made for cash, and there had been further investment in manufacturing operations.

Turnover and operating profit in the half year both rose by 14 per cent, to £43.5m and £5.1m respectively. However, with net interest payable almost halved to £562,000, the pre-tax profit surged 31 per cent, from £3.45m to £4.54m.

The chairman said it had been a good year on the grass machinery side particularly for the sale of Mountfield domestic mowers. Farm machinery sales improved over last year and progress was achieved in accordance with the plan to correct the imbalance of stocks.

The property side again showed improved profits and was experiencing an encouraging increase in demand for its land and properties.

In March the group acquired Kimber Die and Tooling for £285,000, and in July purchased Mowing Machine Maintenance for £1.5m and Henry Livesey and Nu-Dale Engineering for £330,000.

For 1987 the interim dividend is being lifted to 2p, from 1.65p. Total for 1986 was 6p from profits of £8m.

*Comment

This season's oft-heard "rain stopped play" may have anguished the nation's cricket lovers but was pure music to the ears of RSJ's directors. Yesterday's figures, ahead of expectations, were much helped by the quite exceptional grass growing conditions, ie: rain, lots of it, and at the right time. Though there is not much optimism on the farm machinery side - £6m turnover this time and a fairly flat looking market for some years to come - grass machinery sales are very strong, up £4.7m at £36.7m. Mountfield, the domestic mower maker bought in 1985 showing losses of £820,000 on £13m turnover, has proved an outstanding acquisition and looks like making getting on for £20m year-end sales. The company's very active product development programme, adding new items and improving existing ones, has provided a strong foundation for more growth. Despite recent small acquisitions, gearing is expected to reach single figures by the year end. This leaves, as the main challenge, boosting its 10 per cent market share in the US, and the key to that is distribution, at present less than satisfactory. The City expects around £9.8m for the year, producing a fully justified prospective p/e of 12.

BOARD MEETINGS

TODAY

Interims—Atlantic Computers, Bank of Wales, Bemrose, Bluebird Toys, CI, Chepstow Racecourse, Christies International, Citygrove, Clayform Properties, Close Brothers, Clyde Petroleum, Horace Cory, Dean and Bowes, Epicure, Filofax, Folkes Group, Kwik-Fit, Martin Currie Pacific Trust, Minet, Nu-Swift Industries, Oriflame International, Wetmoughs, Yule Catto

Finals—Bryant, Harvey and Thompson.

FUTURE DATES

Interims—

Brent Walker	Oct 9
Northern Foods	Dec 9
Royal Trust Dollar Income Trust	Sept 30
Royal Trust Japan Growth Fund	Sept 30
Sindall (William)	Sept 25
United Friendly Insurance	Oct 1
United Plantations	Sept 29
Watts Blake Bearne	Sept 28

Finals—

Abingworth	Sept 29
Baldwin	Sept 25
High-Point Services	Sept 30
Wardle Storeys	Nov 16
Wentworth International	Sept 28

Beatson Clark up 37%

Beatson Clark, the Rotherham-based glass container manufacturer, increased pre-tax profits by 37 per cent from £757,000 to £1.04m on turnover up 21 per cent from £17.1m to £20.72m for the 26 weeks ending June 27 1987.

Mr David Clark, chairman, said yesterday that the results demonstrated tangible progress in the company's strategy of increasing development and investment in the manufacture of plastic packaging and restructuring the glass container business.

However, the board was concerned that interest charges - £587,000 (423,000) - remained at a high level and was examining ways of reducing group borrowings. Therefore, in spite of the record profit achieved, it had been decided to maintain the interim dividend at 3.3p.

Mr Smith said that despite slightly reduced turnover, the glass manufacturing division had produced a substantial part of the increased profit of the group due to measures introduced by the board to reduce costs.

In view of the growing importance of the group's plastic activities, it had been decided to reorganise the businesses into a single operating division and the role of the overseas subsidiaries was being reviewed.

The group's trading profit before depreciation and bank interest was £3.13m (£2.9m). Taxes amounted to £418,000 (£316,000) and retained profits £378,000 (£1.75m loss due to extraordinary item of £1.97m related to the closure of a Barnsley furnace).

Earnings per 25p share increased to 8.4p (6.9p).

Ernest Green advances to £1.62m

Reporting for its first full year as a public company, Ernest Green and Partners Holdings increased pre-tax profits by 32 per cent from £1.23m to £1.62m for the year ended June 30.

Mr David Legg, chairman of the USM-quoted structural and civil engineering consultancy, said the results demonstrated the group's continuing ability to extend its operations while maintaining close control over costs.

Turnover was up from £4.01m to £5.4m. Interest receivable was £31,000 (£56,000 payable) and tax took £591,000 (£501,000) leaving earnings per share to emerge at 14p (10.3p).

The proposed final dividend is 2.5p making 4p

PWS cautions on profit

BY STEVEN BUTLER

PWS Holdings, the Lloyd's reinsurance broking group, yesterday announced the acquisition of Craven Farmer Holdings, the private Lloyds broker, for up to £5m, and issued a cautious statement about its own performance this year.

PWS shares tumbled 19p to close at 353p after the announcement.

PWS said that while most areas had experienced underlying growth, the US market continued to be difficult and that profits would be hit by the strength of sterling. The full year dividend would come to at least 10.5p per share.

Initial payment for Craven Farmer consisted of issue to the vendor of 1.15m new ordinary PWS shares. Of these 638,576 were being placed the market, and analysts said that this could have contributed to the share price decline as the market for the shares tends to be thin.

In 1986 Craven Farmer's pre-tax profits came to £261,000, after directors' bonuses, on brokerage income of £1.5m. This was expected to increase substantially in the year to the end of September 1987.

Catalyst acquires Masterguide

Catalyst Communications, the Third Market marketing services company, is to acquire Masterguide, a sales promotion consultancy, for £3m. Payment is in the form of 3.45m shares of which 1.22m have been placed on behalf of the vendors at 82p each.

Dalepack warning

Shareholders of Dalepack Foods were warned at the annual meeting that profits for the first half of the current year were likely to be less than last year.

The chairman said that although sales for the period to end-August had shown an improvement over those of the corresponding period of the previous year they were below budget.

This had been caused by the rate of growth of the grillsteak market not being as high as had been anticipated at the beginning of the year.

NEW GUERNSEY Securities Trust received valid applications for 1.41m shares in its offer for subscription of 990,000 shares. The basis of allocation is: for applications for 100 to 4,000 shares –100 per cent of shares applied for; applications for 4,500 shares –4,000 shares; 5,000 to 10,000 shares – 80 per cent of those applied for; 15,000 shares and above –60 per cent of shares applied for, with maximum allocation of 30,000.

Chloride bids for Powerline

BY STEVEN BUTLER

THE RECOVERY of Chloride, the long-ailing battery group, yesterday passed another important demarcation with the announcement of its first major acquisition in a decade, during which the company struggled to stay afloat by selling off assets.

Chloride yesterday announced an agreed £21.26m offer for Powerline, a USM-quoted specialist in the design, production and distribution of electronic power supplies.

Chloride is offering 19 of its own shares for each 10 Powerline shares, worth 174.8p yesterday, or a 155.8p cash alternative. Powerline shares yesterday closed up 5p at 158p.

"What Powerline gives us is a major route into Europe," said Mr Roger Holmes, Chloride group executive director for electronics.

Chloride's power supply business is concentrated in the US, where it specialises in custom equipment. Powerline, by contrast, is active in the standard power supply segment of the market, mainly in Europe. Powerline is also weak in manufacturing facilities, which Chloride could provide.

Mr Holmes said that the international power supply market was growing rapidly but that it was highly fragmented.

"We see a major opportunity for developing a global business that can take advantage of that growth," he said.

Mr Trevor Newton, a Powerline director, said that the owners of Powerline, including chairman and managing director Mr Derick Taylor, had been disappointed by their inability to realise their investment through the USM, where share performance has been disappointing since its floatation in 1984.

Powerline was advised in the deal by Prudential-Bache Capital Funding in what marks another inroad into the traditional UK merchant banking market by a US player.

Underlying growth in Powerline's main power supply business had been partially offset by sluggishness at Newstech Communications, Powerline's technical advertising and public relations subsidiary.

Mr Holmes said, however, that Chloride had no intention to enter Powerline with pruning shears.

"Our feeling is that the recovery prospects of Newstech are very good," he said.

Mr Newton said that Chloride was an attractive partner because of the commercial fit. Fears were that if Powerline was taken over by a direct competitor substantial rationalisation may have resulted.

Powerline had 1986 sales of £10.8m and a pre-tax profit of £1.6m. Mr Holmes said that the underlying rate of growth at Powerline this year was ahead of Chloride's growth in the power supply business.

Sumit net assets rise

Sumit, the development capital investment trust, increased net asset value by 26 per cent from 218p to 275p in the first six months of 1987.

Gross revenue amounted to £715,000 (£566,000). Profits came to £223,000 (£182,000) after tax of £48,000 (£22,000).

The directors said that prospects look encouraging for the remainder of 1987.

An interim dividend of 1p (2.5p) was declared. Earnings per 100p share at 3.4p (3.5p) and other figures are not comparable with those for last year due to changed capital structure and the new shares issued at the November 1986 flotation.

Platignum

Earnings per share at Platignum rose from 0.042p in the first six months of last year to 0.32p in the same period of this year, and did not fall from 0.42p to 0.32p as incorrectly reported on the FT on September 19.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Antler ‡ ....int	1.3	-	nil	-	2
Armstrong Equip	2.4	-	2	3.3	2.75
Beatson Clark ....int	3.3	Nov 23	3.3	-	8.5
Connells Estate .....int	2.5	-	2	-	6.4
Gabicel ‡	2.2	-	2	3.3	3
Ernest Green ‡	2.5	Nov 27	0.71	4	0.71
Kleinwort Benson .int	5.3	-	5.3	-	14
Memec ....int	1.13	Nov 20	0.9	-	3.3
Morgan Crucible† ..int	4.6	Jan 4	4.2	-	9.2
Oceana Consld	1.1	-	1.1	1.1	1.1
Ransomes Sims .....int	3	Nov 9	1.65	-	6
Rutland Trust ......int	0.1	Nov 23	nil	-	0.1
Spring Ram Corp ..int	0.36	Dec 11	0.33	-	1
Star Computer	1.5	-	1	1.5	1
Sumit■ ....int	1	-	2.5	-	3.7
Tarmac ....int	2	Nov 10	1.23*	-	5.5*
Worcester Group‡..int	3.3	Nov 12	2.2	-	7.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ØThird market. ■ New capital structure.

Maxwell buys 5.1% of Norfolk Capital

BY NIKKI TAIT

Mr Robert Maxwell, the publisher, announced yesterday that he had picked up a 5.1 per cent stake in Norfolk Capital Group, the rapidly-expanding hotel group.

The 21m shares were bought via Bishopgate Investment Trust, with Mr Maxwell the beneficial owner. Norfolk Capital shares gained 1p to 41¾p on the news.

Mr Peter Eyles, Norfolk chairman, said yesterday that there had been no contact with Mr Maxwell, and that he did not plan to meet him in the future. "It doesn't worry us," he commented, "we've had shareholders of this size before."

Norfolk Capital recently raised £44.2m via a one-for-three rights issue at 45p, with half the proceeds being used to buy the St James Clubs in London and Paris from Mr Peter de Savary.

The issue, however, was hit by the summer market shakeout and only 15 per cent of the new shares were taken up by shareholders.

CEI directors sell shares

Ten directors of Coated Electrodes International have sold a total of 1.04m shares, 7 per cent of the equity, according to a late evening Stock Exchange announcement.

CEI was floated on the USM last year and in July announced a 32 per cent jump in preliminary pre-tax profits to £1.7m. Neither the directors nor the company's brokers Panmure Gordon were available for comment. The shares were placed at 153p, compared with yesterday's close of 185p.

Stake in GPG increased

By David Lascelles, Banking Editor

Mr Robert Maxwell, publisher of the Mirror Group newspapers, bought further shares in the Guinness Peat Group yesterday, increasing his stake to 10.34 per cent from 9.63 per cent. The purchases were made at 120p per share.

However Equiticorp, the New Zealand financial services company which is bidding for GPG, announced that it had received acceptances for its offer, and had made purchases of its own, which brought its stake up to over 40 per cent. Last Friday, Equiticorp had 39.2 per cent.

Samuel Montagu, its merchant banking adviser, was claiming last night that Equiticorp now had effective control of Guinness Peat once the stakes of Lord Kissin, the company's founder, and supporters on the board were included.

Guinness Peat's shares closed last night at 121p, unchanged.

No comment was available from Mr Maxwell about the reasons for his purchases. The speculation in the Equiticorp camp is that he either wishes to buy Equiticorp's stake, or be in a negotiating position should Guinness Peat be broken up. Eq Equiticorp has said it has no intention of selling.

Virgin in agreed bid for Allen

BY CLAY HARRIS

Virgin Group, Mr Richard Branson's entertainment and media company, yesterday gained control of W.H. Allen and launched an agreed bid which values the book publisher at £4.5m.

The two companies had first linked up last autumn before Virgin's stock market flotation when Virgin Vision, its film and video subsidiary, sold its publishing interests to Allen in exchange for 23.5 per cent of Allen's share capital.

Virgin felt at the time that its publishing interests were too new and too small to prosper on their own. By taking over Allen now, however, Virgin gains access not only to Allen's extensive back catalogue and sales force but also to a slimmer, reorganised operation.

Mr Robert Devereux, managing director of Virgin Vision, said yesterday: "Part of the strategy has always been to achieve what we now have achieved."

Virgin does not envisage any changes in the management of Allen, whose imprints include Star, Target, Planet, Mercury Business Books, Crescent, Allison and Busby, Comet and Virgin.

Allen achieved pre-tax profits of £388,000 (of which tax took only £6,000) in 1986. Even though 1987 will include 12 months' contribution from Virgin Books, against only two months in 1986, the group pre-tax total is not expected to show much - if any - improvement this year. The offer price implies an exit p/e of about 12.

Virgin raised its stake to 51.6 per cent yesterday by subscribing for 750,000 new shares under a deferred agreement and buying an additional 4.5m shares at 25p from Howard & Wyndham most of the latter's 27.6 per cent holding in Allen. The bid is also at this price.

Virgin was obliged under takeover rules to make a full offer but it does not have to make a compulsory purchase of minority shares. The shares will continued to be traded on a matched bargain basis by Guidehouse Securities, which has handled three trades in the last six months. They are also traded over the counter by Harvard Securities.

IBC expands in the US

International Business Communications (Holdings), which is currently pursuing an agreed merger with publishing-to-financial-services group Barham, is paying $1.8m (£1.1m) for three US newsletters. The group is buying the Money fund report and related products from the Donoghue Organisation.

IBC is also buying two Australian publishing businesses from Prospect Publishing for A$245,000 (£190,000).

Eglinton back in profit

Eglinton Oil & Gas, Dublin-based oil and gas exploration company, shares in which are traded on the Third Market, returned to the black in the first half of 1987.

On revenue of I£237,134 (£161,315) - up from £90,576 last time - it turned losses of £84,247 into taxable profits of £18,906. After a nil tax charge, earnings per 5p share were 0.0003p compared with losses last time of 0.0033p.

Mr Emmett O'Connell, chairman, said that in addition to a remarkable recovery in world oil prices and a significant rise in gold prices, Eglinton had benefited from the greater depth of management and technical expertise built up over the past year.

The company had continued its policy of increasing the percentage of ownership in the various prospects and enterprises it was involved in so as to maximise the its return in the event of success.

Strong and Fisher deal gets the green light

BY NIKKI TAIT

THE £20m acquisition of The Union International's leather interests by Strong & Fisher, the fashion leather manufacturer, will not be refered to the Monopolies Commission.

Given the reduced size of Britain's leather industry and the previous referral of Strong's bid for rival group, Garnar Booth, a reference was always a slim possiblity - although Strong itself argued that there was no justification.

Pittard Garnar - the merged group which resulted from the takeover by Pittard of Garnar Booth during the summer - is believed to have made a submission against the Union deal.

The deal with The Union International, the private holding company for many Vestry family interests, expands S&F's skin market, fellmongeries and tannery operations and also brings in a 50 per cent stake in New Zealand Light Leathers

BP new shares approved

British Petroleum's shareholders approved at an egm yesterday the issue of £1.5bn of new shares which will be included in the Government's record £7.5bn share sale next month.

The rights issue is part of the capital restructuring of BP following last month's £4.5bn purchase of the minority interest in Standard Oil. The new shares will be taken up in full by the Government

SINGER & FRIEDLANDER: Only 57.3 per cent of the £134m rights issue was taken up by investors and the rest will go to the underwriters. The shares were offered at 105p compared with yesterday's fully paid price of 111p.

UK COMPANY NEWS

BICC doubles housebuilding side

BY CLAY HARRIS

BICC, the electric cables and construction group, is to double the size of its housebuilding operations through the purchase yesterday of privately owned Clarke Securities for £51.25m in shares.

It also raised £10m in cash through a share placing and will immediately recoup £1.46m by selling Clarke's 2 per cent stake in St Modwen Properties, commercial developer, to the company's founder, Mr Stan Clarke.

Adding Clarke Quality Homes to Balfour Beatty Homes, BICC hopes to build a total of 2,000 houses in 1988. The two businesses will operate as separate units.

Clarke, based in Staffordshire, sold more than 600 houses last year in the Midlands and south of England. It has a land bank of 2,500 plots with planning permission and options over an additional 2,700 plots.

Housebuilding accounted for most of Clarke's £2.35m pre-tax profit (forecast to rise to £5.5m this year) on turnover of £60.8m in the year to last November. A small construction contractor and plant hire business will be absorbed by Balfour Beatty.

Clarke's net assets of £7m at the end of the last financial year included the land bank at acquisition cost rather than market value.

BICC will fund the acquisition through the issue of some 12.2m shares. Of these, more than 4.43m were placed at 420p (against yesterday's opening price of 432½p) to raise £18.6m for the vendors.

With the additional shares placed to wipe out Clarke's borrowing, the new shares are equivalent to 6.5 per cent of BICC's enlarged capital. The total issued for cash (including proceeds of the St Modwen transaction) amounts to less than 2 per cent, so the issue falls within institutional guidelines.

Mr Clarke is paying 61p per share (against yesterday's opening price of 63p) for the stake in St Modwen, the company which he created last year by reversing Clarke's commercial property development business into the engineering shell Redman Heenan International.

Mr Clarke, chairman and chief executive of St Modwen, will remain non-executive chairman of Clarke Securities.

Octagon buys into Compsoft at 30p

By Nikki Tait

SHARES IN USM-quoted software house, Compsoft Holdings, came back from their June suspension 11p higher at 76p yesterday, on news of a management buy-in by Octagon Industries, the institutionally-backed management services company in which former ICL chief executive Dr Robb Wilmot and Dr Geoff Bristow have large stakes.

Compsoft - best known for its Delta database program -came to the market in July 1984 at 120p a share, but tumbled to a loss of £50,000 in 1985/6 and yesterday revealed a £568,000 deficit for the year to end-March 1987 on sales of £2.17m (£2.2m).

The problem, said the company, had come from the five overseas subsidiaries involved in selling translations of the Delta program; UK operations made marginal profits.

Over the past four months, the company had considered two reverse takeovers - with Sagesoft and Format Products for Computers, and with Multisoft Systems and Format Products for Computers - but said the Octagon proposals were more attractive.

Contact with Octagon was made in January; however, Octagon subsequently became embroiled in the Wordplex bid battle, where its refinancing scheme was finally turned down by shareholders in mid-June.

Under yesterday's deal, Compsoft's chairman, Mr Nick Horgan, and his co-director and former wife, Ms Heather Kearsley, are selling 1.8m shares (a 23.79 per cent stake) to Octagon at 30p a share. Dr Bristow, ex-ICL and Texas Instruments, is joining the board as chairman and chief executive, together with two other Octagon directors. Ms Kearsley and two other Compsoft directors are resigning.

Mr Horgan and Ms Kearsley retain a 48.2 per cent interest but this will be diluted by a two-for-three rights issue also at 30p a share, to raise £1.52m. Part of their rights will be taken up by Octagon and its institutional backers Close Brothers; part by the Pru, which already holds 5 per cent of Compsoft, and Touche Remnant Techonology Investment Trust; and part by Dr Wilmot in a personal capcity.

The Octagon group will end up with 29.9 per cent, the Pru with 11 per cent, TR Technology with 6 per cent and the Horgan/Kearsley trusts with 31 per cent.

Post-deal, Dr Bristow said plans for management buyouts at a number of the overseas subsidiaries will probably go ahead, and that acquisitions were planned to enlarge the core UK business. Octagon had said that it intended to concentrate fully on software services, via Compsoft, for at least a year.

It receives substantial share options as a reward/incentive. The board is recommending Octagon has options to subscribe for up to 10 per cent of the enlarged equity at 30p a share. Half of these must be exercised within four years of the date of grant, though after end-March 1988; the remainder will only become exercisable if earnings per shares grow by 10 per cent compound for at least two years.

Moreover, Octagon will also get options over 10 per cent of any new shares issued to fund future acquisitions.

The option deal is subject to shareholder approval; the buy-in itself has the backing of Mr Horgan, Ms Kearsley and the Pru, together speaking for 57.16 per cent of Compsoft's shares.

Worcester profit more than doubled

Worcester Group, the central heating specialist which came to the USM in May 1986, announced more than doubled pre-tax profits, from £591,000 to £1.2m, in the half year to June 30.

Shareholders are to get a 1.1p increase to 3.3p in the interim payment and a four-for-one scrip issue. Following the capitalisation issue, application is being made for a full listing of the enlarged capital.

Turnover was up from £10.86m to £11.91m, but Mr Cecil Duckworth, chairman and chief executive, said the marginal increase masked a 26 per cent rise in sales of Worcester Engineering, the group's main core business. The increase in profitability at the half year was almost wholly due to the performance of this company.

Other subsidiaries performed satisfactorily.

Tax charge was £350,000 (£174,000) leaving earnings per share of 18.7p (10.1p).

Sterling Publishing purchase

Sterling Publishing, a leading publisher of annual international technology and management reviews, is buying S.F. Publications, the publisher of Boat International and a number of promotional magazines for individual clients.

Sterling is making an initial payment of £350,000 through a vendor placing and will make further payments on the basis of profits performance, with an upper limit of £3m on the total consideration. Sterling will also raise £25,000 at the time of the placing to meet the costs of the acquisition.

S.F. had a pre-tax loss of £99,000 in the year to last April, most of it incurred in the first half of that year, but management accounts indicate it is currently trading profitably. Sterling said the deal would enable it to enter the leisure market and was part of its strategy to buy existing businesses in complementary areas which offered the prospect of high growth.

SHARE STAKES

Changes in company share stakes announced over the past week include:

Coates Brothers: Markheath Securities is interested in 2,817,570 ordinary (16.47 per cent).

Talbex Group: Sleipner UK sold 7.5m ordinary on September 17 at 40.5p each and now holds 7,915,266 (6.42 per cent).

Continental Microwave: On September 11 the following directors disposed of ordinary shares at 275p – D. Young, 50,000, J. Clifford 25,000, C. Holmes 30,000.

Electron House: Director P. Vey purchased 10,000 shares at 175p on September 9.

Theme Holdings: Director Alan Lubin sold 50,000 ordinary on September 14 at 69p a share, reducing his interest to 1,406,924 shares (9.8 per cent).

Helene of London: Director M. Harris bought 25,000 shares at 70p on September 11, making his total holding 160,909.

A.F. Bulgin: C.J. Slinn has purchased a further 24,500 ordinary stock units of company and now holds 125,000 (6.25 per cent).

UK COMPANY NEWS

Reshaped Rutland makes £2.5m profit at halfway

BY STEVEN BUTLER

Rutland Trust, the financial services group formerly known as Kellock Trust, has reported pre-tax profits of £2.47m on a turnover of £9.65m in the first half of the year.

Earnings per share moved ahead sharply, by 70 per cent, to 0.75p and a dividend of 0.1p is recommended, against nil in 1986.

The pre-tax profit and turnover figures are not strictly comparable with the previous year because of merger accounting in regards to some acquisitions. The reported 1986 figures, however, were pre-tax profits of £1m and turnover of £7.43m.

The group has been completely reshaped over the past year, following a capital injection by the London & Edinburgh Trust (LET), after which Mr Michael Langdon became chief executive. The traditional factoring business of Kellock was sold last month to the Bank of Scotland, while the group has made acquisitions in insurance broking, asset backed financing, and loss adjusting.

A divisional structure has been set up for corporate finance, asset backed financing, insurance and personal financial services, and professional services.

Head office and corporate finance produced a profit of £170,000, although the main contribution was interest on the company's cash bank balance. A corporate financial advisory team that would specialise in equity raising for growing companies is being assembled, and Rutland plans to back companies with its own funds.

The factoring business contributed £502,000 and Rutland expects the loss of this stream of profit to be more than compensated for by the recent acquisition of a 75 per cent interest in Technology Group, which provides sales aid lease financing.

Insurance broking accounted for £398,000, a 60 per cent improvement for the business while it was owned mainly by the LET, while professional services profits came to £1.4m.

Following a recent rights issue, which was 96 per cent subscribed, Rutland now has over £20m cash, which is earmarked for expansion within the divisional structure established by the group.

*Comment

With a prospective p/e ranging into the high forties, based on pre-tax profits projections of £5m for 1987, investors would appear to need pretty strong nerves to jump into Rutland Trust. Prospective buyers of the shares, however, would do better to ignore 1987 and look toward 1988, when recent acquisitions will finally show up in the full financial year. This would bring the prospective multiple down closer to a more sober, but still rather fantastic, 30. The high rating of the shares is more than anything a reflection of a good deal of confidence in Mr Michael Langdon, chief executive, and the concepts he is using to build Rutland into a substantial company. The shares have been volatile in part because few actually reach the market. At least shareholders can hope for a bit of stability. With £20m in the bank, Rutland can continue its acquisition programme for the time being without loading down the market with more paper.

Memec advances 28% in first half

Memec (Memory and Electronic Components) increased pre-tax profits by 28 per cent from £2.52m to £3.22m on sales up by 24 per cent from £25.52m to £31.7m in the first half of 1987.

This represents a recovery from the corresponding period last year for the distributor of electronic components, microprocessor systems and related equipment, when profits declined by 24 per cent due to difficult trading conditions.

The directors now look to increased demand for the company's products and for significant growth in sales and profits. They are also looking to new products and other international markets with growth prospects.

All operations, in the UK, West Germany and the US, benefitted from continued investment in new products and technologies and generally market conditions were more favourable than in 1986.

In the UK, Memec had continued to invest in new markets and products and had increased net margins as a percentage of UK sales, which amounted to £21.1m.

Taxation amounted to £1.29m (£1.1m) and earnings per 10p share increased to 6.98p (5.66p).

An interim dividend of 1.13p (0.9p) was declared.

Pentland participates in US leveraged buy-out of El Greco

BY CLAY HARRIS

Pentland Industries, the holding group which is the largest shareholder in the Reebok sports shoes company, yesterday unveiled the details of its latest step into the US footwear market, participation in a $24.5m (£15m) leveraged buyout of El Greco, a designer and distributor of women's fashion shoes.

Pentland will pay $6m for an initial 50 per cent stake in the acquisition vehicle for El Greco. This includes convertible preference shares which can raise the Pentland holding to 60 per cent.

Stock market flotation is planned within three to four years, although Pentland does not envisage reducing its stake below 51 per cent, Mr Frank Farrant, finance director, said yesterday.

El Greco is being sold by Mr Charles Cole, who will use $4m of his $24.5m proceeds to take a 50 per cent stake in the new group. Remaining as chief executive, Mr Cole will qualify for an additional $20m in compensation if El Greco's aggregate profits over the next five years reach $40m.

At present, El Greco's pre-tax profits are running at about $4.5m on annual sales of $70m. Its brands include Candie's, Cameos, Compulsion and Crayons, most of which are aimed at the 16-to-25 age bracket. It has net tangible assets of $17m, with the rest of the purchase price accounted for by the valued placed on trademarks.

El Greco would benefit from Pentland's sourcing muscle in the Far East and Brazil, Mr Farrant said.

The remaining $14.5m of the purchase price will be financed by borrowings from Citibank and Irving Trust at 2 percentage points over US prime. Pentland and Mr Cole successfully resisted the US banks' desire to take an equity stake - although this would have reduced annual interest charges by about $145,000.

Acquisitions boost Connells

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

PROFITS AT Connells Estate Agents advanced sharply in the first half of 1987 and earnings per share worked through 40 per cent higher as new acquisitions contributed to the growing revenue stream.

Connells has been riding the property boom, with commission and fee income on the residential side rising to £6.9m in the six months from £4.8m in the same period of 1986.

On the commercial side, the buoyant property market in the City of London and the quickening pace of activity around the M25 helped income rise from £2.4m to £3.7m.

Pre-tax profits increased from £2.05m to £3.3m. Earnings per share rose by 3.2p to 11.3p and the interim dividend is being lifted by 0.5p to 2.5p a share.

The group's earnings were pushed up by a better performance than had been expected from recently acquired estate agents chains.

Connells has been engaged in a period of rapid expansion. Since last April it has acquired 34 offices.

Mr John Simson, the chairman, noted yesterday that not all smaller firms of estate agents want to join with the big financial institutions and that Connells remained in an expansionist phase.

The high level of activity on the property market suggests that Connells' profits growth will continue.

Over the longer term it expects to obtain a stronger flow of income from the sale of financial services. Such sales already provide up to 15 per cent of Connells' revenue on the residential side.

Crawley Warren to seek full SE listing

BY NICK BUNKER

Crawley Warren, a small Lloyd's insurance broking group, plans to seek a full Stock Exchange listing next month by means of a private placing of shares arranged by James Capel, the stockbroker.

It also unveiled plans yesterday to transform an Ontario-based broking subsidiary, Voyageur, into one of Canada's leading travel insurance underwriting companies.

Crawley Warren, which has a trading history dating back to the early 1970s, said it made a pre-tax profit of £2.38m in the 12 months to June 30, up 22 per cent on the previous year. Turnover climbed six per cent to £11.5m.

It specialises in Canadian travel, accident and health insurance. Voyageur distributes about 2m travel insurance policies each year via about 4,000 travel agents, representing an estimated 80 per cent of the nation's travel outlets.

Crawley Warren said that from December Voyageur would take over underwriting the policies itself.

The group also has niche operations in US professional sports and health insurance and owns an aviation and space insurance broker.

Spring Ram advances 61% to £4.4m midway

Spring Ram Corporation, manufacturer of home improvement products, reported pre-tax profit up 61 per cent from £2.75m to £4.42m in the half year to June 27 on a 66 per cent improvement, from £17.58m to £29.13m, in sales.

Mr William Rooney, chairman, said all the core businesses were achieving significant growth on their already strong and established market positions, and new company developments were providing added impetus. Major new greenfield expansion programmes at Scunthorpe and Kirklees would have an increasing impact on future results, more than doubling existing manufacturing capacity.

A much reduced tax charge, £671,000 (£913,000) has left earnings per 10p share more than doubled at 8.3p (4.1p).

The interim dividend is raised from 0.33p to 0.363p and a one-for-one scrip issue is proposed.

Reviewing progress of the first half, Mr Rooney said RAM, HI increased its market dominance during the six months and also formed Sring Ram Contracts. This autonomously-managed company would promote group products, initially kitchens, to the important building contracts market, through an independent distribution chain.

Consumer and trade demand for Astracast's expanding range of kitchen work centres continued to outstrip supply. The programme of new machine installation would further improve both turnover and profits. Improvements in ceramic production efficiency were enabling Spring Bathrooms to meet increased demand and Spring Ram International had made further progress in the first half with record sales and order books.

*comment

What can you say about a company that has increased its profits from £1m in 1982 to an expected £11m this year almost entirely through organic growth and without increasing its prices? Add in the fact that the group is internally financing the construction of two new factories that will double its capacity and it is unsurprising that Spring Ram is a wonder stock. The corollary of that is high market expectations, which explains why doubled earnings per share caused a fall in the share price yesterday. The prospective p/e will fall from a hefty 25 this year only as far as 20 next, assuming a profits leap to £17m. But even so, few would bet against further share price outperformance given that the public's appetite for kitchens and bathrooms appears insatiable and Spring Ram is now tapping into the add-on market.

Star Computer

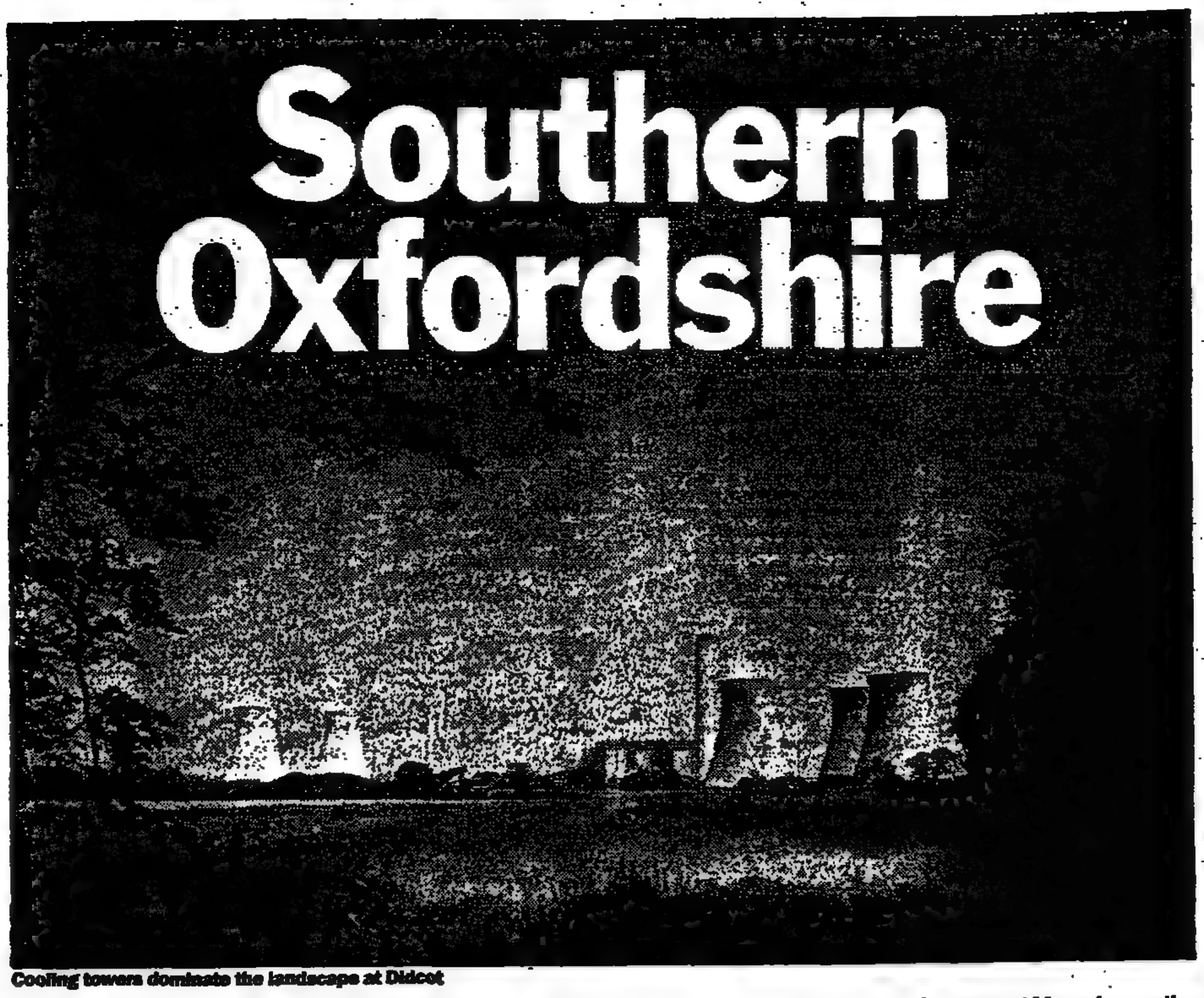
Star Computer Group, which sells computer equipment and software, increased turnover from £8.68m to £11.3m and pre-tax profit from £620,000 to £1.08m for the year ended June 30 1987.

The dividend is raised by 50 per cent to 1.5p. Earnings worked through at 10p (11.1p). There was an extraordinary debit of £80,000.

FINANCIAL TIMES SURVEY

Sited between the two centres of Oxford and Reading and within the orbital pull of London, southern Oxfordshire is the subject of an intense debate: whether planning policies are preventing the area from claiming its share of the nation's revitalisation. **Robert Waterhouse** explains

Southern Oxfordshire



Cooling towers dominate the landscape at Didcot

Culture clash in the shires

ON THE face of it, southern Oxfordshire is a *delightful rural* haven between Oxford and Reading, bounded to the east by the Chilterns and to the west by downland whose prehistoric hill figure at Uffington lends its name to the Vale of White Horse *district* council. The Vale's main centres—Abingdon, Wantage and Faringdon—are all ancient market towns. South Oxfordshire district's towns—Thame, Wallingford and Henley on Thames—also have long histories. Only Didcot, the archetypal railway junction town, does not fit this comfy picture.

In reality, southern Oxfordshire is delightful, but it is also facing ever-increasing pressures precisely because it sits between two major centres and within the orbital pull of London. Oxfordshire's approved planning policies are to discourage growth anywhere except in the "country towns"—which means Didcot in the southern Oxfordshire context. *Business interests claim* this is unrealistic if Oxfordshire is to play its proper role in the nation's revitalisation.

"Oxfordshire is being thrown from the sidelines on to the centre stage of economic growth *and* regeneration of the whole of the South of England," says Mr Ian Laing, managing director of Lansdown Estates which owns the area's biggest employment zone, and a member of the Oxfordshire Business Group. The group *suggests* that constraints on inward investment, which can be traced back to the time when Oxfordshire was a true shire county, should be lifted, though not in a way to ruin a pleasant environment.

In a statement issued after its meeting last month with county council officers and members, the group said: "A virtuous circle of investment, prosperity, jobs, better services and more investment is in reach while at the same time enhancing the attractions of living in Oxfordshire."

From *his* vantage point at Henley on Thames, Mr Richard Griffiths, the Southern Region director of the CBI, says he has never known the Thames Valley economy to be as *buoyant* and optimistic as at present. Unemployment is no longer an *issue. The problems his members* report are those of rapid growth, particularly skill shortages, and heavy unit costs, combined with lack of suitable space to expand. The M4 corridor phenomenon, from Slough to *Swindon*, inevitably sets sights on the green open spaces of Oxfordshire.

"You can't put a fence around Reading," Mr Griffiths comments. Companies are beginning to leave, and it can be more attractive for those with a strong European market to look across the Channel rather than to the Midlands or the North. There are no statistics as yet to chart the drift, but the warning signs are there, says Mr Griffiths.

For the moment, the pressures on southern *Oxfordshire* come more from housing than footloose industry. There is still a mixture of industrial and commercial accommodation on the market, at a price. Housing, however, is a different matter—*apart from Didcot, whose natural* advantages are only just being exploited. Some 4,000 new homes are planned for the Ladygrove area and major developers like Wimpey Homes are optimistic about progress there.

It is in the small towns and villages of southern Oxfordshire that the potential conflict lies. It has not gone unnoted that the Berkshire Structure Plan allows for the creation of 54,700 jobs *in* the period 1984-96 but only 36,500 additional houses. Oxfordshire, on the other hand, estimates likely job growth between 1981-96 to be 15,000 while 40,700 new dwellings are foreseen. Many of these, however, will be in the three other country towns of Witney, Banbury and Bicester, well away from Berkshire.

Oxfordshire Business Group's "virtuous circle," as applied to southern Oxfordshire, would mean sensitive small-scale additions to village communities. These, they say, would help secure village shops and schools which might otherwise have to close, and make for better bus services.

Nobody is suggesting a model like *Grove, which grew enormously* in the years following Harwell's creation, and with a *population of 8,000 is thought to* be the biggest village in Europe. Grove is firmly suburban, unlike Harwell village, which maintains much of its rural charm.

All the same, the district council planning officers are not impressed by Oxfordshire Business Group advice on this score. Vale of White Horse's director of planning and development, Mr C. H. Caddy, points to the model village of Ardington, near Wantage, where the Lockinge Estate runs an enlightened policy of encouraging craft and other light industries, and where judicious house building is in progress. Even here, he says, there is a struggle to hang onto shops and services.

Indeed, the Oxfordshire Business Group's *statement* to the county council recommends methods of stabilising rate rises by ending open-ended transport subsidies, closing inefficient *schools, and disposing of a fire* station as well as a highway depot.

This sort of advice raises hackles. Mr David Young, Oxfordshire's director of planning and property services, dismisses suggestions that his county is under escalating pressures or is turning its face away from growth opportunities.

"Nothing we have been doing with Oxfordshire has stopped wealth creation," he states. He cites the county's modest rate support grant requirement and its unemployment figure of 5.3 per cent, the second lowest in the region, compared with a few years ago when it ran the highest in the South-East.

One indication of buoyancy is the relative lack of concern over employment prospects at Cowley. Austin Rover took on some 500 production line workers earlier this year to meet additional demand on the Maestro, Montego and *Rover* 800 series.

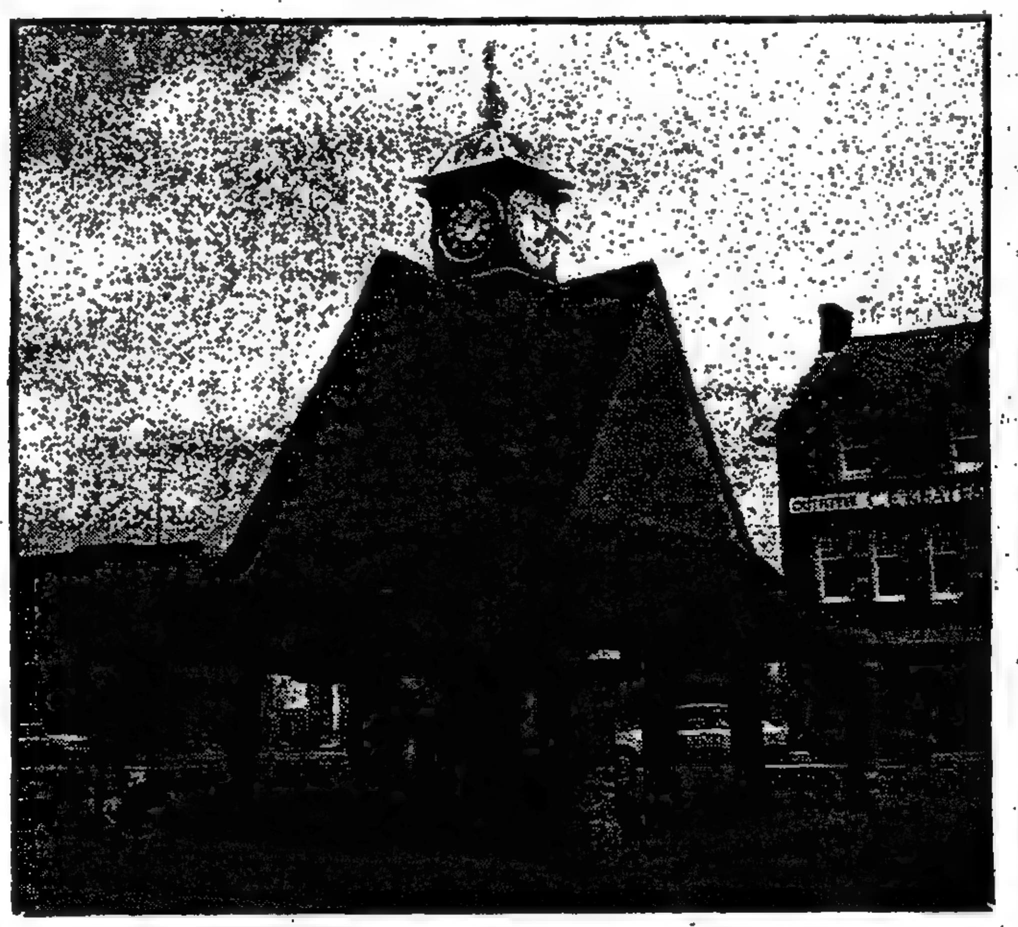
Altogether, some 100,000 vehicles were produced in the first half of 1987 by a workforce of 11,500, *split* almost equally between the body shop and the *assembly line. Things look good,* but even a downturn would *probably lead to other employment opportunities,* just as the former MG factory at Abingdon, now a booming business park, may end up offering more jobs on the same site than MG.

So, while there are very real worries that sky-high house *prices will discourage key workers* (as opposed to affluent Berkshire commuters) from moving to Oxfordshire there is no sign as yet that the county's own working population is finding it difficult to adapt to the *fast*-changing requirements of industry.

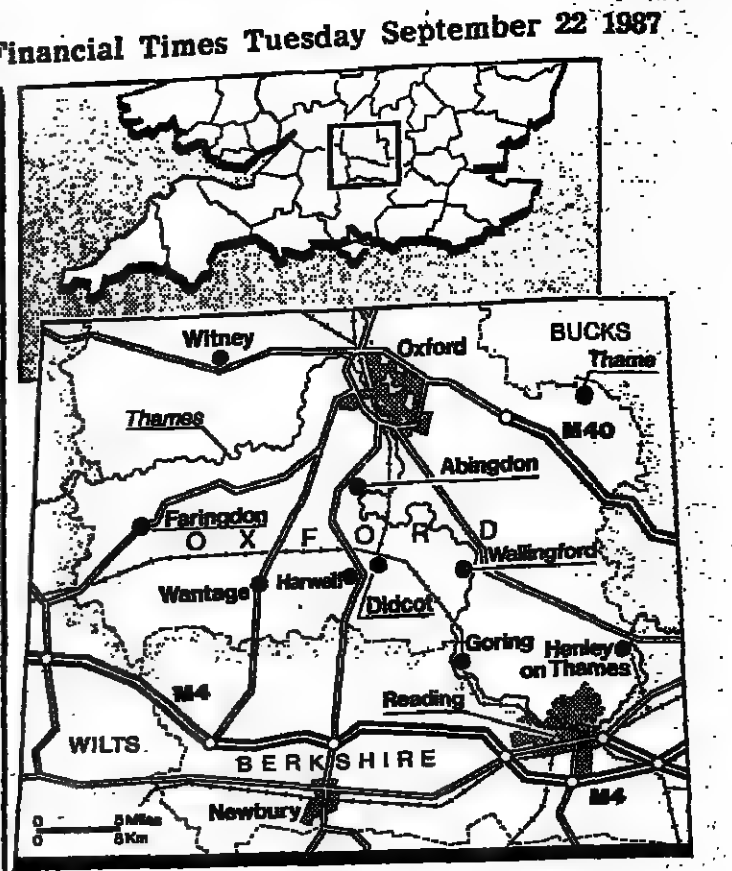
The presence in southern Oxfordshire of numerous research institutes has encouraged hi-tech entrepreneurs, many of them trained at Harwell or Culham and many with direct links to university laboratories. It is a mute point whether the county needs a formal science park as such.

Conservational forces, as heavily entrenched among late arrivals as indigenous residents, look likely to win the day so long as the local economy thrives. From the point of view of South Oxfordshire district council at Crowmarsh, just outside Wallingford, there is no gain in participating, centre stage, in the region's economic regeneration. Besides, developmental policies would clash heavily with established, and Government-blessed, practices in the Green Belt and Areas of Outstanding Natural Beauty, which cover three-quarters of the district.

Mr Griffiths, of the CBI, believes that the time will come when the Thames Valley may have to be treated as a *self-*contained region in its own right. County boundaries, already chopped and changed in 1974, might go. In this new regionalism, brought about by the pressure of market forces, the *time-honoured* system of county structure and district local planning could fall away. Until then the due processes prevail.



The ancient Butter Cross at Witney



Harwell Laboratory

Where UK industry is served first

IN THE 41 years since the UK's Atomic Energy Research Establishment was created at RAF Harwell, between Abingdon and Wantage, its impact on the local Oxfordshire economy has been almost as fundamental as its place within the developing British nuclear industry.

Harwell Laboratory has today moved from being the cradle of nuclear power to a role as Europe's foramost contract R & D organisation, with non-nuclear as well as nuclear specialities. Although still state-owned, it has operated since April 1986 under Trading Fund legislation *which demands commercial* returns on assets and investments. Some 60 per cent of its £130m turnover for 1986-87 came from competitive contracts with industry, and Harwell Laboratory was marginally ahead of its *5 per cent* return on capital target.

It is no longer, at 4,150 staff, the totally dominant employer in southern Oxfordshire. However, Government research establishments spawned by Harwell, including the Culham Laboratory and the Rutherford-Appleton Laboratory, together with UK Nirex Ltd, add up to formidable numbers and resources.

Then throw in companies which have moved to South Oxfordshire with Harwell's facilities in mind—Janssens Pharmaceuticals, the Metal Box Research Laboratory, British Non-Ferrous Metals—and those like Oxford Instruments and Thor Cryogenics whose initial staff were ex-Harwell employees. The former RAF station, greened and landscaped over the years, with its hangers still holding a mix of historic and revolutionary equipment, remains a nerve-centre of British scientific research.

The three criteria Harwell applies to R & D contracts are:

- They must always utilise technology developed from atomic energy work;
- Nothing is undertaken unless the client pays the full commercial cost, including overheads and marketing, plus a modest profit margin;
- UK industry comes first. No contract is accepted which might put British firms at a disadvantage.

The process of moving from a pure research establishment into a more than half-way involvement with the market economy was instituted by Lord Marshall during his seven-year *span* as director. Matrix management encouraged a proliferation of divisions and has led to the creation of some 25 individual non-nuclear business centres within the laboratory, where scientists become entrepreneurs. Each centre's turnover averages more than £1m.

All this *encourages* technology transfer, and can mean scientists departing for better-paid jobs in industry. But the first fully-fledged firm to leap the security barrier came from an application rather than a discovery. Software developed within Harwell to cope with information retrieval, a system called STATUS, has been marketed *by a private company,* Harwell Computer Power, since February this year.

HCP is jointly owned by the UKAEA, Rothschilds Ventures, and the Computer Power Group (of which Mr Rupert Murdoch *controls 50 per cent).* Its three directors have 10 per cent of the equity between them. Rothschilds put in £1m as working capital and Computer Power brought a worldwide distribution network to Harwell's product. STATUS has general free-text information retrieval applications, and was already selling well. But a condition of setting up the company was that fully 15 per cent of its income would be fed back into Harwell for financing further R & D.

One of the dangers of continuing contract work, *from Harwell's point of view,* is that the "intellectual property" developed over the years is slowly chipped away. So, while commercial confidentiality is respected, project information—as opposed to the project result itself—tends to revert to Harwell.

Over at Culham, the intellectual property of basic nuclear fusion theory first postulated at Harwell is the centre of the Joint European Torus or JET experiment. Culham was chosen as the site of the Eurotom's research project, which started running in 1983 and ends in 1992. By then, scientists—half of whom are *non-British—hope to* have demonstrated the practicality of nuclear fusion as a clean and virutally limitless energy source.

The Culham project is going well, and speculation now rests on whether Oxfordshire will be chosen for the second phase of the joint project, a full-scale production reactor. Since more fusion experience exists in Culham than elsewhere—and the UKAEA has its own domestic research programme there too—Oxfordshire is favourite, but West German interests also have their supporters.

A big success of Culham has been the European school nearby, dedicated to teaching children of Euratom workers in their native tongue as well as English and often a third language. The 180 or so continental pupils, who have elided into the Oxfordshire countryside, appreciate Culham's wholehearted commitment to a genuinely European environment.

R.W.

Oxfordshire structure plan

Growth in county towns

THE ENVIRONMENT Secretary recently approved alterations to Oxfordshire's county structure plan which further update the 1979 plan and are intended to guide development well into the 1990s.

Overall strategies reflect a commitment to protecting the environment, character and agricultural resources of the county by concentrating activity on the 'country towns' of Banbury, Bicester, Didcot and Witney. In addition to these growth spots, limited expansion will be allowed in Carterton, Chipping Norton, Faringdon and Wantage/Grove (the last two in Vale of White Horse District Council area).

Throughout the county proposals for job-linked development will normally be approved if they involve:

- Office premises up to about 300sq m or other commercial/industrial uses up to about 500sq m;
- *Premises for firms with specific claims to a location;*
- Conversion of redundant buildings where desirable;
- Tourist-related investment.

A special case is accepted for *those science-based* industries seeking to set up in central Oxfordshire and able to demonstrate need for proximity to Oxford University or other research facilities.

General restraint on new house building will be applied beyond the four country towns. The overall allocation for Oxfordshire is 40,700 new dwellings between April 1981 and March 1996. Developers are encouraged to build at high density without harming residential locations.

Job-linked development will have to conform to certain criteria because overall strategy is designed to protect the environment, character and the agricultural resources of the county

This total for the county includes 7,050 dwellings in South Oxfordshire District and 7,300 in Vale of White Horse. Transport policies seek improvement of the trunk routes and county inter-town routes, where bypasses will relieve the worst local pressures. The only improvement work on minor roads is to be at accident black spots or to cope with approved minerals traffic.

Pedestrians and public transport have priority in town centres. Each town will have a comprehensive policy for car parking and service areas. Parking provision in central Oxford will be maintained at present levels.

Rail use is to be encouraged by siting freight depots in suitable locations, and by locating new development close to existing facilities.

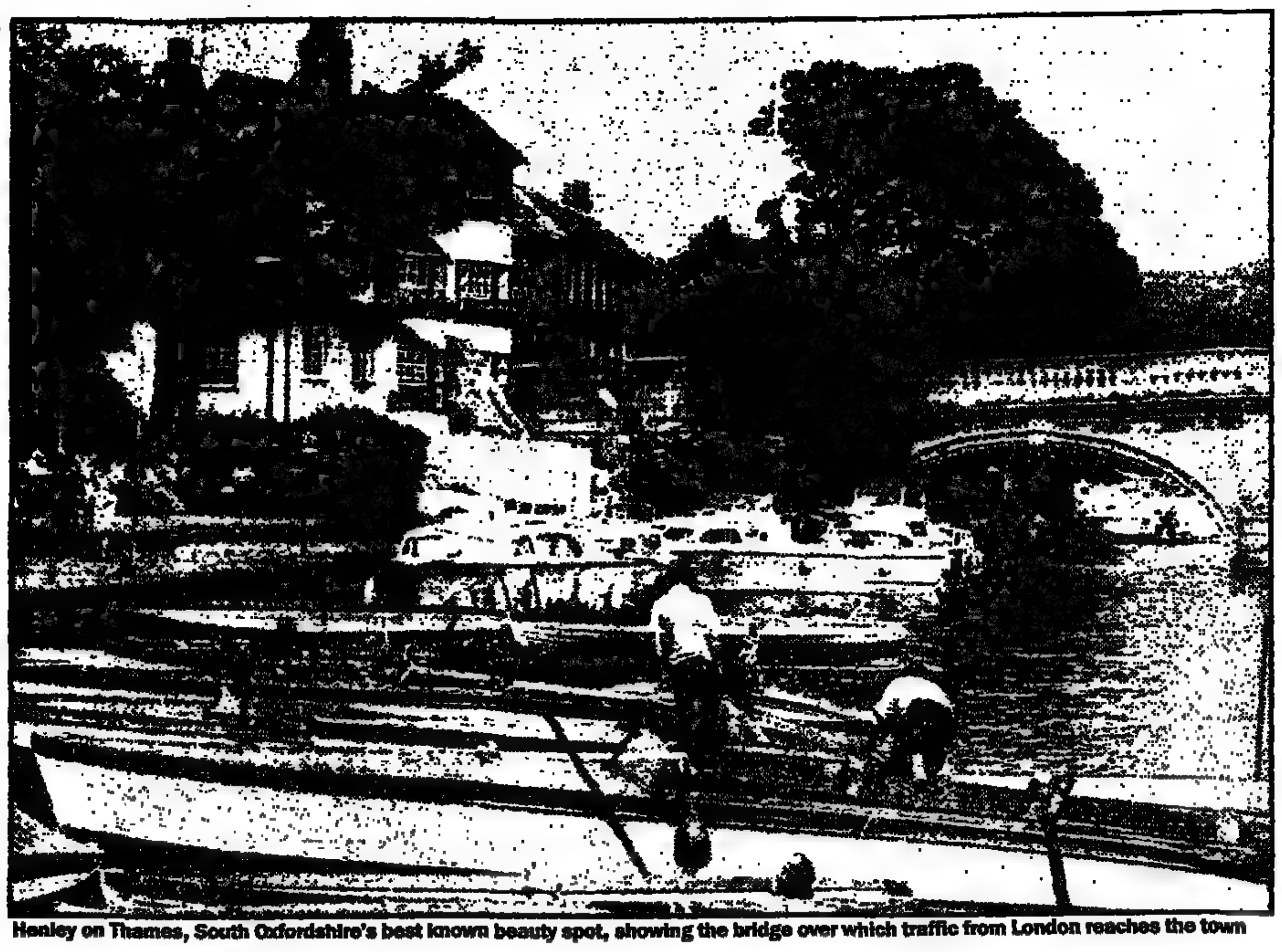
New minerals workings will be permitted only when authorities believe that demand cannot be met from elsewhere. The county council is to maintain a stock of land with permission for extracting between 21-25 *million tonnes* of sharp sand and gravel. Specific areas are designated as places of greatest or least objection to such working.

Measures to protect and improve Oxfordshire's environment *include the consolidation* of green belt as a four-six mile cordon around Oxford and recognition of areas of outstanding natural beauty (such as the Chilterns and the North Wessex Downs).

Oxford's unique architectural heritage takes priority in any development proposals for the city. In a letter confirming the latest structure plan amendments, the Environment Secretary (via his civil servants) suggests that 'there is now only very limited scope for further (housing) development in and around Oxford'. The inner boundaries of Oxford's Green Belt should be defined 'as quickly as possible'.

The Environment Secretary noted considerable discussion over provision for nursery science development in Oxford. He states: 'The national importance of science and technology-based employment-generating development is acknowledged, and it may well be appropriate, subject to the constraints of the Green Belt policy, to provide in Central Oxfordshire for activities for which a location in close proximity to the university or other research facilities is necessary'. This statement seems likely to be put to the test by several current applications to build a science park in and around the Green Belt.

R.W.



Henley on Thames, South Oxfordshire's best known beauty spot, showing the bridge over which traffic from London reaches the town

The growth points

Higher status for Didcot

DIDCOT IS the one designated growth point in southern Oxfordshire, and for that reason alone looks set, finally, to become a place of substance. The town's music hall tag of railway junction and ordnance depot is being transformed into key assets: the junction means high-speed trains to Reading and Paddington; the former ordnance site has become a dynamic employment area. Even the dominant power station has played a part in opening up Oxfordshire's last remaining frontier.

The old bridge across the main line to the power station had been a notorious bottle neck and was hampering plans to develop land for new industry and housing. By a feat of advocacy which gainsays any reputation for maintaining the status quo at all costs, Oxfordshire county council persuaded the CEGB to half-fund a new bridge linking the power station to its spine road. This allowed the CEGB to truck out significant quantities of pulverised fly ash to sell to the building and construction industries, taking pressure off Oxfordshire's gravel pits. It also enabled the county council to strike a number of deals in the hinterland.

Wimpey Homes made a significant contribution to the road infrastructure which opened the way for outline planning consent involving 600 houses on a 40-acre site in the new neighbourhood to be called Ladygrove. Building work has started on the first 32 houses, with detailed plans in for the next 75. Crowdace Homes and Bryant Homes are also active at Ladygrove, which will eventually form 4,000 dwellings.

Developers are excited about Didcot because, in South-East terms, housing there represents great value for money. It is possibly the cheapest London commuter destination within 40 minutes of a main line terminal. That is despite what Wimpey's district manager, Mr John Tutte, calls a "desperate housing shortage" in *Oxfordshire.*

Ladygrove prices will start at £50,000 for a two-bed house, rising through £75,000 for a three-bed semi to about £100,000 for a four-bed detached home. Wimpey would like to offer one-bed dwellings too, but finds this difficult within the design guide set out by the planning authority. South Oxfordshire district council, which suggests the need for 25 sq metres of garden per household, even for flats.

The guide, prepared for South Oxfordshire by Melville Dunbar Associates, will help ensure that Ladygrove is a positive addition to Didcot, urban rather than suburban, but with much emphasis on landscaping. Mr Tutte acknowledges that the early negotiations with South Oxfordshire, setting the style for what is to follow, have been difficult. He hopes that one-bed housing will become possible at a later date.

Landscaping is also a major enterprise at the 187-acre Milton Trading Estate, on the former ordnance depot between Didcot power station and the A34. Milton Park, as it is being renamed, is owned by Lansdown Estates, an MEPC subsidiary, which is spending about £1m gained from freehold sales on a landscaping programme. Over 100 tenants occupy more than 2m sq ft of floorspace at Milton, dedicated principally to distribution and storage.

"We are the best low-tech estate in the country," claims Mr Ian Laing, Lansdown Estates' managing director. "Everyone else is falling over to create a science park in Oxfordshire. We are not Oxford Science Park. But we are an efficient distribution centre good enough for office staff to be located here, and for manufacturing companies which aren't hi-tech." In addition to the landscaping, Lansdown has a £3½m site infrastructure investment programme.

Recent arrivals at Milton include Ariston Domestic Appliances, which has taken 58,000 sq ft of rail-linked warehousing at an initial £187,500 per annum. Ariston was attracted by Milton's on-site Inland Clearance Depot which will bring substantial reductions in freight charges from Italy. The warehouse is to be operated by a National Freight Corporation subsidiary, Carrycare.

Milton has profited from the chance that Mercury Communications was laying its fibre optic trunk route along the estate's border with the Paddington-Bristol main line. Tenants now have the choice between Mercury and British Telecom, and competition could bring significant telecommunication savings.

Milton Trading Estate prefers to link itself with Abingdon rather than Didcot for publicity purposes, *though Mr Laing is* bullish about Didcot's future. "I see no reason why Didcot shouldn't be an important regional town on the scale of Banbury or Newbury by the end of the century," he says.

Abingdon, administrative centre of Vale of White Horse district council, has already made the leap. As the historic county town of Berkshire it was a sleepy sort of place, best known for its MG factory. But Abingdon's strategic position halfway between Oxford and Harwell created housing pressures along with employment opportunities. The town has doubled in size since 1961, and the loss in 1980 of MG with around 1,000 jobs, although tragic at the time, has led to a more balanced local economy.

Standard Life acquired the MG site of 55 acres, now renamed Abingdon Business Park. The company is developing the site in phases, and has let some 365,000 sq ft to date, with 93,000 sq ft available mainly at its fourth-phase building, Windrush Court. This has multi-use planning permissions for office as well as hi-tech manufacturing, and Standard Life is achieving rental values of about £9 per sq ft. It has hopes of £11 per sq ft in phase five, the 34,000 sq ft Hitching Court building, due to be completed in October.

Numerous hi-tech companies are to be found on Abingdon Business Park, including ICI's genetic fingerprinting operation, and former MG engineers are employed by Abtech, which does design work for Saab. So far the park provides about 500 jobs; the potential looks like being in excess of 1,000, at least making good the MG deficit.

The business park is promoted by huge signs fronting the access road and the A34 as "Oxford's Science Park." This is particularly confusing because orthodox road signs in Abingdon to the science park lead to empty fields on a perimeter road. Oxfordshire Science Park is a 20-acre site owned by the district council with outline planning permissions for suitable use granted back in 1984.

Mr C. H. Caddy, the district council's director of planning and development, admits that progress has been slow on site. *However, he is optimistic that* purpose-built quality developments available on long leases or even as freeholds will get under way later this year.

Does Oxfordshire need a science park at all, with some 180 hi-tech firms already established in the county in addition to the many research establishments? At least two speculative applications for science parks have been made in Oxford's cherished Green Belt, and there are champions of a concerted university-local authority-private enterprise approach. Such an initiative, on the right sort of greenfield or parkland site, is not provided for in the county structure plan, which was revised only this year. "Southern Oxfordshire," says Mr David Young, the county's director of planning and property services,@ "is one big science park."

Back in Abingdon the district council is proceeding with a lower-profile but important seven-acre town centre scheme incorporating the old railway station yard and the cattle market. The council played a key role in piecing together this project, which will include 100,000 sq ft of offices plus mixed housing developments and a new municipal headquarters.

Robert Waterhouse

Windrush Court, part of Standard Life's Abingdon Business Park

The infrastructure

Strain on historic villages

NO SUBJECT illustrates the dilemmas hovering over Oxfordshire more clearly than roads. Without modern roads, historic towns and villages in a rural county like Oxfordshire clog under brutal heavy traffic; building them swallows good agricultural land and often simply encourages more mobility.

Oxfordshire's current problem is that its trunk road system is just not complete enough for the strain being placed on it. At present virtually all roads converge on Oxford: the A34 from Southampton and Newbury forms the Oxford ring road, where it meets the A40 London-Cheltenham route. This, of course, is the continuation of the M40, due to become an alternative London-Birmingham motorway via Warwick.

A public inquiry into the 12-mile proposed route *for the M40* extension from its current end at Waterstock (in South Oxfordshire) to Wendlebury opened *in Bicester earlier this* month. Among the many objectors and interested parties will be the Oxfordshire Business Group and the Southern Region of the CBI which are campaigning strongly for the motorway to be three lanes in both directions rather than the proposed dual carriageway.

In a rural county, reconciling the need for fast roads with the preservation of a way of life can prove difficult

Business interests are also pressing the Department of Transport to ensure that the Waterstock-Wendlebury section of the M40 opens simultaneously with other sections further north.

As the M40 becomes the main route to the Midlands and the North, pressure is also growing for a direct trunk link from Reading. This would involve a third Thames bridge, effectively a continuation of the M4 spur. Berkshire supports the idea, which would take traffic from Reading itself, but the Oxfordshire half of the bridge is likely to meet implacable opposition.

The concept of a trunk route roughly on the line of the B481, joining the M40 at the Lewknor junction, is abhorrent to Oxfordshire residents and authorities alike. Indeed, there are proposals to de-trunk the A423 Oxford-Henley road when the M40 is complete.

Oxford itself has come to an uneasy stalemate in its joint quest for more mobility combined with traffic-free areas in the city centre. Snarl-ups are the order of the day, not helped by the minibus battle being fought since de-regulation. The county council does not intend to extend inner relief roads since, it argues, better roads would simply encourage more traffic.

R.W.

COMMODITIES AND AGRICULTURE

Canadian newsprint prices to rise

By Robert Gibbens in Montreal

CANADIAN newsprint prices are to rise by C$65 to C$750 a tonne from January 1, but will still be lower than US prices after exchange, transport and other factors.

US prices rose on July 1 by US$40 a tonne to US$610 a tonne. The equivalent Canadian price will be about US$555 a tonne.

Consolidated - Bathurst announced the Canadian price increase and other companies are expected to follow, given the strength of the North American market.

Some industry analysts say this may be a harbinger of further international price increases next year. Some see a North American price increase of about US$40 a tonne by next spring, followed by another similar increase later in the year.

Bleached softwood pulp prices in North America are going up on October 1, nearer the present US$650 a tonne now being posted in the European markets.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ended last Friday)

	(tonnes)	
Aluminium		
standard	−4,575	to 76,350
high grade	−17,475	to 40,325
Copper	−1,275	to 111,775
Lead	−1,500	to 19,425
Nickel	−78	to 3,606
Tin	−370	to 21,645
Zinc	+4,425	to 38,700
	(ounces)	
Silver	203,440,000	(unchanged)

Gencor plans to squeeze more gold from Orange

BY ANTHONY ROBINSON IN JOHANNESBURG

GENERAL MINING Corporation (Gencor), South Africa's second largest mining house, yesterday announced plans for a major new gold mine in the Orange Free State.

The new Oryx mine will cost some R1.5bn and exploit more than 50m tons of medium to high grade ore "substantially in excess of the industry average of 5.3 grams of gold per ton," the company said.

The mine will employ 7,000 people and mill 220,000 tons of ore per month when fully onstream by 1994. It lies between Gencor's Beatrix and St Helena mines in the Unissen district of the Orange Free State, next to the former Beisa uranium mine, closed in 1985.

The new mine will use the 1,070-metre Beisa shaft and remaining infrastructure, which should be recommissioned by July 1988. This will save two years and more than R100m in drilling costs, the company said. A shaft will be dug to 2,400 metres from the Beisa shaft and a 2,200 metre new one drilled 2 kms to the east.

The mine will be financed by a combination of bank and other loans and a share issue. Details still have to be finalised. A quotation for the new company, Oryx Gold Holdings, will be sought on the London and Johannesburg stock exchanges.

Gencor holds 55 per cent of the project and its Genbel subsidiary a further 10 per cent. Anglo-American Corporation also holds a small stake. African Selections Trust Exploration (ASTE), the wholly owned subsidiary of BP Minerals International which discovered the deposit, also has an undisclosed stake.

Gencor, which has stepped up its exploration spending this year to R140m, expects the new mine to have a life of at least 30 years. First ore from the Beisa shaft is expected in mid-1991. Output will rise to 100,000 tons, and then 220,000 when the second shaft system is open by 1994.

UAE oil output surges

BY RICHARD JOHNS

OIL OUTPUT of the United Arab Emirates has surged ahead during September to about 2m barrels a day.

This is at a time when production of all other members has been falling, according to industry executives yesterday.

The high output was accounted for by the fact that the equity partners of Abu Dhabi in the two main operating companies were able to use preferential rates, giving an effective discount on official prices, the executives said.

They were commenting on a report in the latest edition of the well-informed Petroleum Intelligence Weekly.

In the most flagrant breach yet of Opec's production pact Abu Dhabi—which accounts for the bulk of UAE capacity—has done nothing to restrain the operating companies.

Average output of 2m b/d compares with a quota for the federation for the second half in 1987 of 948,000 b/d.

ADCO the Emirate's on-shore operation in which British Petroleum, Shell, Total, Exxon and Mobil have a 40 per cent stake, is understood to have pumped at a rate of about 850,000 b/d during the first three weeks of September.

ADMA-OPCO, Abu Dhabi's main off-shore company in which BP and Total share a similar 40 per cent stake, has been producing at a rate of 425,000 b/d.

Dubai, which has never co-operated in the Opec pact, has been at nearly full capacity at nearly 400,000 b/d.

Overall Opec output during the first three weeks of September is reckoned to have fallen to something like 18m b/d compared with at least 19.3m b/d in August.

Iran, Kuwait and Libya in particular experienced marked falls.

Iran's rate during the first three weeks of this month has been down to 1.8m b/d compared with nearly 2.4m b/d in August.

Kuwait's was down from an average 1.4m b/d in August to about 1.2m b/d so far in September.

EC ministers to discuss CAP reforms

BY TIM DICKSON IN BRUSSELS

THE FIRST political reactions to possibly the most ambitious plans for Common Agricultural Policy (CAP) reform will be voiced at a key meeting in Brussels today.

Community farm ministers will not take any major decisions—save for a modest scheme to help hop farmers. But their thoughts on the European Commission's controversial proposals for "budget stabilisers" will be studied both inside and beyond the EC executive's Berlaymont headquarters.

The meeting marks the start of a process aimed at finding effective mechanisms to cut agricultural support—estimated this year at well over Ecu 27bn rather than the Ecu 23bn budgeted

The meeting is central to the debate on the Community financing plans. A system of agricultural stabilisers is a precondition for agreement by heads of state to the request by Mr Jacques Delors, the Commission president, for substantially increased Community resources over the next five years.

There is no time to lose, as it is hoped in Brussels that the whole package can be teed up in time for the December summit in Copenhagen.

The ministers today, however, will have before them only what one senior diplomat calls "the White Paper," not the "legislative proposals" which will be formally adopted by a full meeting of the Commission tomorrow.

The White Paper he refers to is a Commission document published in early August setting out the broad principles of the new Brussels approach but lacking most of the all-important and controversial details.

There are plans for stabilising each product regime—notably a 155m tonne production threshold for support in the cereals sector; new elimination levies for sugar; and a consolidation of milk quota cuts after 1989.

But the precise way in which these will be achieved is not made clear.

More light should be shed tomorrow when the Commission is set to approve review papers on sugar, milk and the sheepmeat sectors. These have been planned for some time but adapted in the light of the new enthusiasim for stabilisers.

A fourth document will sweep up the details in all the other regimes.

Discussions in Brussels this month between agricultural experts from the 12 member states suggest that ministers will be anxious about the impact on farm incomes. They will also be concerned with the extent to which Brussels is seeking discretionary powers to alter prices and suspend intervention purchases when production thresholds are breached.

The third problem will be the implications for negotiations over farm subsidies with countries outside the EC.

Member states increasingly recognise the need for more budgetary discipline. But with the West Germans, for example, still opposed to price cuts on principle, sceptics remains unconvinced that real reform is in the air, according to one senior, non-European diplomat.

He points to green currency changes which undermined the impact of nominal price cuts over the last year and the way Ministers have refused to implement a guaranteed threshold system for the cereals sector.

"These things have got to be set in concrete as far as we are concerned," he says.

The Australians, meanwhile, who barely subsidise their agriculture, have been reminding EC officials that their beef herd has fallen 27 per cent since 1975, their butter production is 60 per cent down and skimmed milk powder output 35 per cent below levels in the early 1970s. Their wheat acreage is 15 per cent down on three years ago.

Disguised controls the wrong way to protect environment

FARMER'S VIEWPOINT

By John Cherrington

THE DANES, who were among the pioneers of intensive livestock farming in Europe, are now setting out a pattern of farming which if fully implemented would reduce the country's overall production of crops and stock.

This is not a selfless sacrifice for the benefit of the EC budget but a response to pressure from the environmental lobby.

Of particular concern is the possible effect on watercourses of the increasing disposal of farm wastes and the uncontrolled use of fertilisers, particularly nitrogen and phosphate.

Since the spring of 1985 the Danish Parliament has initiated a series of measures to reduce pollution from intensive livestock. These culminated this year with a comprehensive plan for voluntary reduction of the discharge of nitrogen and phosphate into the watercourses by 50 per cent and 80 per cent respectively.

The plan, which applies to all sources of pollution, entails considerable investment to improve purification of industrial and urban wastes. But farming requires special treatment.

It is intended to apply a limit of two livestock units per hectare to maintain a balance between crop and livestock farming on each farm. (One livestock unit is the equivalent of a dairy cow.)

It seems to me that this would inhibit the building up of large pig and poultry units except on the biggest farms. If a farmer wished to expand, he would need to secure approval as a special case.

Farms with more than 30 livestock units will need a nine-month storage capacity for manure. This is designed to restrict the spreading of manure to the growing season, when presumably all the nutrients would go to feeding the crops instead of polluting the environment.

Stubble burning will also be banned from 1990. When this is worked into the ground it will use up waste nitrogen while breaking down in the soil.

These measures have been brought about because of changes in livestock husbandry over the last 50 years. Originally most farm animals were bedded on straw, which mixed with the liquid manure. This was stored in the farmyard, when the straw was broken down by the liquid or slurry into a material easily absorbed into the soil. This was the basis of most farming systems.

Few of Europe's intensive livestock units now use much straw. The animals live on slats or impermeable floors and the slurry is stored in tanks or lagoons from which it can be pumped and spread on the land.

If the slurry is spread in times of frost or heavy rain it will run into the watercourses and set up a chain of pollution. There is as much nitrogen from animal slurry as there would be from nitrogen fertiliser.

If the Danes implemented these proposals in isolation it would put their farmers at a great disadvantage to European competitors — and to some of the outside markets they have secured.

It now seems, however, that the EC Commission has taken up the matter. Mr Frans Andriessen, the agriculture commissioner, at the recent informal meeting of agriculture ministers in Denmark, proposed integrating environmental and agricultural concerns into coherent Community action in the framework of the Common Agricultural Policy.

The Commission's basic aim is to reduce food production, and any control of fertiliser and pesticide inputs would obviously be a step towards that end. It must be emphasised, though, that the Danish proposals are still a matter of domestic policy and the other member states are unlikely at present to agree to any overall EC control of the environment.

But the Danes are not the only critics of farm pollution. In Ireland recently there have been prosecutions of farmers who allowed slurry and silage effluent to run into rivers, killing large numbers of fish and damaging the sport fishing industry.

In the Netherlands there is some control of the expansion of livestock units and the spreading of animal wastes is being looked at. I once spent a short while in Venlo, a heavily livestocked area in the east of that country, at slurry spreading time. The smell was all-pervasive.

In the UK we have more room to spread the slurry. But there is still a growing conflict in some areas between farmers who feel they have a right to do what they like with their land, and the local inhabitants who no longer have any stake in farming and regard country living — or week-ending — as a matter of lifestyle.

There is no doubt, however, that eventually intensive livestock farming will have to be moved to less populated areas.

It is doubtful if animal wastes are the main factor in the overproduction of crops. The bulk of European output is made possible by fertilisers and what are loosely called pesticides. I have yet to believe that mankind has suffered any real damage from these materials.

Some forms of life have been destroyed — the insects and fungi that used to decimate crops and the weeds that smothered them. But it was essential to do this on a world scale or we would have starved.

World population is now 5bn, and the fact that there are areas of starvation is more to do with poor economic management than any misuse of the aids to progress in farming. It is worth remembering that the world environment was originally hostile to human life.

The Danes are entitled to take whatever steps they like to manage their own environment in the way that suits them. But for the EC to enforce a similar scheme of production control disguised as environmental protection is the wrong way to go about the job.

LONDON MARKETS

COFFEE PRICES in London fell yesterday as the key International Coffee Organisation talks on export quotas got under way. The market reacted to overnight news that producers had ended a preliminary meeting without agreeing a common position, and the three-month robusta contract shed £25 to close at £1,296.50 a tonne. Dealers will be watching developments at the ICO meeting keenly for the next two weeks. They said it would take time before both consumers and producers hardened their positions, and trading in futures would probably remain cautiously thin. Meanwhile, prices on the London Metal Exchange were generally firmer. Aluminium prices were helped by news that LME warehouse stocks were down a total of 22,850 tonnes, due mainly to shipments of high grade metal to Japan. Copper prices were helped by both the strength of the aluminium market and a decline in stocks of 1,275 tonnes.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.)	+ or —	High/Low
	$ per tonne		
Cash	1890-905	+82.5	—
3 months	1775-85	+30	1785/1755

Official closing (am): Cash 1,880-90 (1,815-25), three months 1,785-95 (1,745-55), settlement 1,890 (1,825). Final Kerb close: 1,775-85. Ring turnover —— tonnes.

99.5% purity	£ per tonne		
Cash	1124-9	+39.5	1126/ —
3 months	1057-8	+27.5	1056/1046

Official closing (am): Cash 1,125-8 (1,089-91), three months 1,058-6.5 (1,035-6), settlements 1,128 (1,091). Final Kerb close: 1,055-6. Ring turnover: 15,725 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1135-6	+14.75	1137/1134
3 months	1114-5	+12	1115.5/1106

Official closing (am): Cash 1,135-6 (1,131.5-2.5), three months 1,111.5-2.5 (1,114.5-2.5), settlement 1,136 (1,132.5). Final Kerb close: 1,113-3.5.

Standard			
Cash	1129-34	+15	—
3 months	1108-11	+12.5	—

Official closing (am): Cash 1,129-34 (1,126-30), three months 1,108-6 (1,108-11), settlement 1,134 (1,130). US Producer prices 87.5-91 cents a pound. Total ring turnover: 31,850 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	390-1	—	390.5/390
3 months	375-4	−2	377/372.5

Official closing (am): Cash 390.5-91 (388-8.5), three months 375.5-76 (372-2.5), settlement 391 (388.5). Final Kerb close: 372-2.5. Ring turnover: 7,800 tonnes. US Spot: 42 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3270-5	+12.5	3275/3265
3 months	3285-90	+15	3295/3280

Official closing (am): Cash 3,265-70 (3,270-5), three months 3,283-5 (3,270-5), settlement 3,270 (3,275). Final Kerb close: 3,280-90. Ring turnover: 534 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	451-2	+4	460/449
3 months	455.5-6.5	+3.25	457/450.5

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price	Calls		Puts	
	$/tonne	Nov.		Nov.	
Aluminium 99.7%	—	—		—	
	—	—		—	
	—	—		—	
		Nov.	Jan.	Nov.	Jan.
Aluminium 99.5%	1,700	—	65	18½	95½
	1,725	104	68½	32	105
	1,750	87½	47	45	—
Copper (Grade A)	1,750	—	—	21	56
	1,800	85	92	37	78
	1,850	56	70	—	—
	£/tonne				
Copper (Grade A)	1,075	—	—	11½	31
	1,100	43½	47	20	42
	1,125	30	35	—	—

SOYABEAN MEAL

Prices moved lower on commercial selling, reflecting weaker cash and Chicago markets, reports Muirpace.

	Yesterd'ys close	+ or —	Business done
	£ per tonne		
October	155.5-155.5	−0.85	154.0
Dec	152.5-152.8	−1.50	152.0
Feb	152.8-155.5	−0.85	—
April	133.5-135.0	−0.60	135.0
June	128.2-129.6	−1.10	129.5-128.0
August	125.5-126.7	−1.20	—
October	128.0-128.5	—	—

Sales: 180 (5) lots of 20 tonnes.

GOLD

GOLD BULLION (fine ounce)	Sept. 21	
Close	$460-460½	(£279¾-279¼)
Opening	$458¾-459¼	(£277¼-278)
M'n'g fix	$458.85	(£277,536)
Aft'n'n fix	$459.10	(£278,158)
Day's high	$460½-461	—
Day's low	$457-457½	—

GOLD AND PLATINUM COINS		
Am Eagle	$473-478	(£287-290)
Maple leaf	$471½-474½	(£286-288)
Kr'g'rand	$459-462	(£278½-280½)
½ Krug	$235½-245	(£143-148½)
¼ Krug	$117½-125½	(£71¼-76)
Angel	$459-472	(£284½-286½)
1/10 Angel	$45¼-50¾	(£27¾-30¾)
New Sov.	$108¼-109¾	(£65¾-66¼)
Old Sov.	$108¼-109¾	(£65½-66¼)
Noble Plat.	$597-606	(£362¼-367¾)

COTTON

LIVERPOOL—Spot and shipment sales for the week ended September 18 amounted to 443 tonnes, against 180 tonnes in the previous week. Moderate trading occurred with support for Russian, Israeli, West African and Turkish growths.

INDICES

REUTERS

Sept. 18	Sept. 17	M'th ago	Year ago
1664.8	1654.2	1668.4	1509.9

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Sept. 18	Sept. 17	M'th ago	Year ago
Spot	129.36	128.57	—	124.92
Fut	131.31	131.26	—	127.96

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

	Sept. 21 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1775/785	+40	$1825/845
Copper			
Cash Grade A	£1135.5	+14.75	£1018.5
3 months	£1114.5	+12	£1008.25
Gold Troy oz	$460.25	−1	$459.75
Lead Cash	£390.5		£410.5
3 months	£376.75	+3.25	£390.25
Nickel			
Free Mkt	245/255c	−1	245/255c
Palladium oz	$138.50	−0.75	$139.85
Platinum oz	$579.75	−9	$600.25
Quicksilver†	$318/325		$275/285
Silver troy oz	445.25p	−15.85	487.60p
3 months	455.40p	−15.80	479.70p
Tin			
free Mkt	£4150/150		£4210/240
Tungsten	$63.78	−1.89	$63.25
Wolfram 22.0lb	$39/50		$43/55
Zinc	$451.5	+4	$493
3 months	$455	+2.25	$492.75
producers	$850		$860
OILS			
Coconut (Phil)	$470u		$505
Palm Malayan	$340z	+5	$320
Seeds			
Copra (Phil)	$315		$315
Soyabean (U.S.)	$152		$149
GRAINS			
Barley Fut. Nov.	£103.60	+0.25	£101.50
Maize	£144.00	−2	‡
Wheat Fut. Nov.	£106.55	+0.85	£104.40
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1255.5	+11	£1291.5
Coffee Ft. Nov	£1296.5	−25	£1282
Cotton A Ind.*	65.45c	−0.25	67.25c
Gas Oil. Nov.	$156.5	+0.5	$148.5
Rubber (kilo)	70p	−0.5	68.5p
Sugar (raw)	$164.2w		$164.8p
Wooltops 64s	480p kilo		545p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v Oct. x Aug-Sept. w Oct-Nov. z Sept-Oct. y Nov. z Dec.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.89 (16.90) ringgit per kg. Down 0.01.

SILVER

Silver was fixed 15.85p an ounce lower for spot delivery in the London bullion market yesterday at 445.25p. US cent equivalents of the fixing levels were: Spot 738c, down 27.1c; three-month 750.25c, down 27.5c; six-month 765.4c, down 28.55c; and 12-month 798.6c, down 31.75c. The metal opened at 452-453½p (747-749c) and closed at 453-454½p (748-750c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoff'l	+ or —
Spot	445.25p	−15.85	747.5c	−5.5
3 months	455.40p	−16.50	752.5c	−5.5
6 months	467.50p	−16.80	—	—
12 months	491.35p	−16.80	—	—

Three months final kerb 752-5c.

LME—Turnover: Nil (nil) lots of 10,000 ounces.

COFFEE

With the failure of the producers to find common ground ahead of the start of the ICO talks, Robustas opened £20 lower, reports Drexel Burnham Lambert. However, the market did hold at the recent lows with scale-down trade support. The market continued to work within the established range in generally quiet conditions while awaiting developments from the talks.

COFFEE	Yesterday's close	+ or —	Business done
Sept	1270-1272	−16.5	1288-1270
Nov	1295-1297	−25.0	1310-1295
Jan	1332-1333	−22.0	1355-1319
Mar	1348-1349	−15.0	1354-1336
May	1360-1365	−13.5	1367-1360
July	1380-1384	−15.5	1378-1375
Sept	1395-1415	−7.5	—

Sales: 2,374 (2,742) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for September 18: Comp. daily 1979 106.05 (104.80); 15-day average 105.97 (105.77).

COCOA

Futures traded in a narrow range throughout the morning but rallied £17 on aggressive commission house buying during the afternoon and closed on a firm note near the highs, reports Gill and Duffus.

	Yesterday's close	+ or —	Business done
	£ per tonne		
Sept	1200-1202	+8.5	1203-1181
Dec	1235-1236	+11	1238-1222
March	1264-1265	+10	1270-1255
May	1283-1285	+9.5	1286-1274
July	1303-1304	+9.0	1305-1295
Sept	1322-1324	+9.0	1327
Dec	1349-1343	+8.0	1347-1335

Sales: 1,795 (2,198) lots of 10 tonnes.

ICCO indicator prices (SDRs per 1550.27 (1541.49); 10-day average for tonne). Daily prices for September 21: September 22: 1527.16 (1527.06).

FREIGHT FUTURES

	Close	High/Low	Prev.
	Dry Cargo		
Oct.	1047.5/1060	1050/1048	1056/1060
Jan.	1092/1094	1095/1089	1102/1106
Apr.	1150/1152	1151/1150	1152/1150
July	1020/1050	—	1025
Oct.	1150	1150	1150
Jan.	1060	—	1150
April	1200/1240	—	1220
BFI.	1031.5	—	1034

Turnover: 62 (31).

GRAINS

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: Oct 95.25, Nov 96.50. US No 2 Soft Red Winter: Oct 90.50, Nov 93.25, Dec 94.75. French 11½-12 per cent: Sept 138.00 sellers. English feed, fob Sept: 105.50, Oct/Dec 108.50 buyer, Jan/March 112.25-113.00 buyer/sellers, April/June 118.50 sellers. Maize: US No 3 Yellow/French, transhipment East Coast: Sept 144.00 seller. Barley: English feed: Sept 102.50 seller, Oct/Dec 106.00-107.00, Oct/Dec 107.50-108.00 buyer/sellers, Jan/March 111.25 seller.

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or —	Yest'rdy's close	+ or —
Sep.	105.90	+1.85	101.75	+1.50
Nov.	106.55	+0.85	103.60	+0.85
Jan.	108.55	+0.75	106.30	+0.60
Mar.	111.15	+0.70	108.30	+0.70
May	113.60	+0.75	110.00	+0.60
July	115.75	+0.50	—	—

HGCA — Locational ex-farm spot prices. Feed barley: Eastern 98.00, E. Midlands 97.80. Scotland 98.40. The UK monetary coefficient for the week beginning Monday September 28 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

Wheat and barley saw follow-through buying interest, reflecting Soviet interest in EC markets and reached £1.00 up before attracting selling interest, reports T. G. Roddick.

Business done—Wheat: Sept 105.90-5.85, Nov 106.85-6.25, Jan 108.80-8.45, March 111.40-10.95, May 113.85-3.35, July 313 lots of 100 tonnes. Barley Sept 101.75-1.30, Nov 103.75-3.20, Jan 106.80-6.30, March 108.60-8.00, May untraded. Sales: 251 lots of 100 tonnes.

POTATOES

Weather factors continued to dominate market sentiment. Following a wet weekend and with an unsettled forecast, futures opened 40p up and rose throughout the session in thin volume to close at the highs, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	83.40	82.50	83.40-82.40
Feb.	93.50	93.00	—
March	86.00	85.30	86.40-86.00
Apr.	134.00	131.40	134.00-132.00
May	149.00	146.50	149.00-147.00

Sales: 544 (219) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		Oct.
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.70-16.85	+0.025
Brent Blend	18.30-18.35	+0.05
W.T.I. (1pm edt)	19.55-19.60	+0.10
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($per tonne)		
Premium gasoline	173-176	—
Gas Oil	152-154	−1
Heavy fuel Oil	96-98	—
Naphtha	158-160	—

Petroleum Argus estimates
* October.

TEA

26,837 packages were on offer at the London tea auction, including 2,800 packages of offshore tea, reports the Tea Brokers' Association. The auction saw higher prices, with indications above last week's levels. New season Assams met quite good competition, mainly in the range of 145-186p per kilo. The few brighter East Africans on offer were irregular. Coloury mediums saw more demand than of late, and closed firm to sometimes 3p higher, though plainer dusts were still difficult to sell. Central Africans were again well supported, and clean colouny invoices were several pence dearer by the close. The offshore section received better enquiry at fully firm to dearer rates. Quotations: quality 180p a kg (unquoted); medium 105p a kg (102p); lower medium 78p (70p).

US MARKETS

SILVER LED the precious metals, finishing on a firm note as fund short-covering, following earlier selling, joined with trade and local buying to steady prices, reports Drexel Burnham Lambert. Late profit-taking by locals pared gains. Gold and platinum both followed the silver, but tended to be dominated by the locals. Copper finished lower on the day despite early fund buying as aggressive trade selling and commission house long liquidation eased prices before a late short-covering rally pared losses. Crude oil recovered from early commission house selling as trade and local buying emerged in moderate trading to firm prices. Fund buying in cocoa saw prices break chart downtrend lines which in turn led to speculative buying touching off buy stops. Price-fix selling was noted, especially from Brazil. Lack of a unified producer stance at the present ICO meeting led to light speculative and trade selling in coffee futures. Sugar firmed on early commission house buying but trade selling erased gains as the market fell back to trade narrowly. Cotton firmed on a combination of fund, commission house and local buying, but trade was a noted scale-up seller. Orange juice fell on commission house selling. The grains were mostly lower in new crop contracts as better weather moved into growing areas allowing the harvest to proceed at a better pace. Soyabeans eased under the follow-through innence of export selling that depressed the expiring September contract.

NEW YORK

ALUMINIUM 40,000 lbs; cents/lbs

	Close	Prev	High	Low
Sept	82.15	82.60	82.15	82.00
Oct	79.75	80.25	—	—
Nov	80.00	80.25	—	—
Dec	79.50	79.50	79.50	79.50
Jan	77.75	77.75	—	—
March	75.00	75.00	—	—
May	71.90	71.90	—	—
July	68.75	68.75	—	—

COCOA 10 tonnes; $/tonnes

	Close	Prev	High	Low
Dec	1953	1912	1955	1914
March	1970	1930	1975	1935
May	1990	1958	1990	1960
July	2007	1975	1995	1982
Sept	2040	1998	2015	2015
Dec	2065	—	—	—

COFFEE "C" 37,500 lbs; cents/lbs

	Close	Prev	High	Low
Dec	115.49	118.33	116.25	114.85
March	118.82	119.40	119.85	117.50
May	119.75	120.50	120.00	118.50
July	120.25	121.25	120.75	120.75
Dec	124.00	122.50	—	—

COPPER 25,000 lbs; cents/lbs

	Close	Prev	High	Low
Sept	82.95	83.60	83.50	82.70
Oct	82.15	82.70	—	—
Nov	81.85	82.20	—	—
Dec	81.15	81.70	82.50	80.80
Jan	80.60	81.05	—	—
March	79.20	79.85	80.50	78.60
May	78.40	79.50	79.30	78.70
July	76.85	77.40	—	—
Sept	77.40	77.95	77.45	77.45
Dec	77.25	77.80	78.05	77.20

COTTON 50,000 lbs; cents/lbs

	Close	Prev	High	Low
Oct	75.70	76.22	76.60	75.60
Dec	74.75	75.25	75.65	74.25
March	75.85	76.37	76.85	75.35
May	76.12	76.86	77.00	76.00
July	75.77	76.50	76.50	75.60
Oct	68.90	68.38	69.55	68.35
Dec	66.93	67.21	67.60	66.60

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
Oct	19.65	19.56	19.68	19.43
Nov	19.37	19.20	19.37	19.07
Dec	19.21	19.04	19.21	18.94
Jan	19.07	18.97	19.10	18.98
Feb	19.04	18.93	19.06	18.87
March	19.02	18.90	19.04	18.90
April	19.00	18.87	19.00	18.81
May	19.00	18.84	19.02	18.85
June	19.00	18.82	19.00	18.84
July	19.00	18.80	19.00	18.90

GOLD 100 troy oz; $/troy oz

	Close	Prev	High	Low
Sept	462.1	458.1	—	—
Oct	463.2	459.2	464.5	457.5
Nov	466.4	462.4	466.0	466.0
Dec	469.3	465.3	470.5	463.5
Feb	475.7	471.7	476.5	469.5
April	482.0	478.0	481.5	476.0
June	488.5	484.5	485.7	485.7
Oct	502.4	498.4	—	—
Dec	509.6	505.6	507.0	504.0
Feb	517.0	513.0	—	—
June	532.0	528.0	—	—

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
Oct	52.25	52.08	52.25	51.70
Nov	52.64	52.68	52.85	52.35
Dec	53.35	53.20	53.45	52.80
Jan	54.10	53.85	54.10	53.65
Feb	54.20	54.10	54.30	54.00
March	52.52	52.40	52.55	52.40
April	51.20	51.10	51.20	51.00
May	50.00	49.90	50.20	49.70
June	49.60	49.50	49.60	49.45

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Prev	High	Low
Nov	131.70	131.10	131.75	131.35
Jan	129.80	128.75	130.00	129.30
Mar	130.05	129.40	130.50	129.90
May	130.25	129.80	—	—
July	130.40	130.05	130.50	130.00
Nov	130.50	130.25	—	—
Jan	130.50	130.25	—	—

PLATINUM 50 troy oz; $/troy oz

	Close	Prev	High	Low
Sept.	593.0	—	—	—
Oct.	596.5	582.7	599.0	590.2
Jan.	605.2	591.1	606.8	595.0
April	613.7	599.5	614.8	597.0
July	622.2	608.1	623.0	607.0
Oct.	630.7	616.6	—	—

SILVER 5,000 troy oz; cents/troy oz

	Close	Prev	High	Low
Sept	757.7	736.4	749.0	734.0
Oct	759.6	738.5	—	—
Nov	774.7	743.7	—	—
Dec	779.5	748.5	789.0	744.0
Jan	784.5	753.5	790.0	769.0
Mar	796.3	765.3	806.0	782.0
May	807.9	776.9	815.0	775.4
Jul	820.1	789.1	829.0	788.1
Sept	832.3	801.3	—	—

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Prev	High	Low
Oct	6.29	6.37	6.44	6.28
Jan	6.60	6.60	6.80	6.60
March	7.08	7.12	7.22	7.07
May	7.27	7.33	7.38	7.27
July	7.41	7.48	7.52	7.41
Oct	7.65	7.69	7.78	7.65
Jan	7.86	7.91	—	—

CHICAGO

LIVE CATTLE 40,000 lb; cents/lb

	Close	Prev	High	Low
Oct	69.20	68.40	69.40	68.35
Dec	69.37	68.22	69.47	68.35
Feb	68.65	68.02	69.00	67.85
April	69.70	69.12	69.95	69.00
June	69.37	69.10	69.55	68.85
Aug	68.00	67.60	68.00	67.70
Oct	66.80	66.10	67.15	66.80

LIVE HOGS 30,000 lb; cents/lb

	Close	Prev	High	Low
Oct	48.77	47.65	48.80	48.12
Dec	48.87	48.07	48.95	48.45
Feb	44.82	44.02	45.10	44.35
April	41.59	41.07	41.92	41.25
June	43.95	43.70	44.30	43.80
July	44.02	44.15	44.40	44.02
Aug	43.05	42.90	43.60	43.05
Oct	40.70	40.45	40.75	40.50
Dec	40.90	40.77	40.90	40.30

MAIZE 5,000 bu min; cents/56lb-bushel

	Close	Prev	High	Low
Sep	179.2	175.6	180.0	174.2
Dec	178.2	180.4	178.6	176.0
Mar	186.6	189.2	189.4	191.0
May	191.2	194.0	193.0	191.0
July	193.4	196.2	195.4	193.2
Sep	191.2	194.6	194.0	191.2
Dec	192.4	196.0	196.0	192.4

PORK BELLIES 38,000 lb; cents/lb

	Close	Prev	High	Low
Feb	59.52	58.92	60.20	59.05
March	59.35	58.85	59.60	58.60
May	59.75	59.10	59.95	59.20
Jul	59.70	59.05	59.70	59.00

SOYABEANS 5,000 bu min; cents/60lb-bushel

	Close	Prev	High	Low
Sept	530.6	535.0	536.0	525.0
Nov	529.6	533.2	533.2	528.0
Jan	536.4	539.2	538.8	534.4
March	541.4	543.4	542.8	538.4
May	545.5	547.4	548.4	544.4
July	548.4	549.4	548.0	545.0
Aug	542.4	545.0	544.0	542.0
Sept	531.0	534.0	532.0	531.0

SOYABEAN MEAL 100 tons; $/ton

	Close	Prev	High	Low
Sept	181.2	181.8	181.5	179.0
Oct	173.0	174.6	174.1	172.4
Dec	168.8	170.0	169.7	169.2
Jan	166.5	168.0	168.0	166.3
March	165.5	167.3	166.5	165.2
May	165.0	165.5	166.0	164.6
July	164.5	165.5	166.0	164.0
Aug	164.2	165.5	165.0	164.1
Sept	164.5	165.5	165.5	164.5

SOYABEAN OIL 60,000 lb; cents/lb

	Close	Prev	High	Low
Sept	16.22	16.12	16.23	16.12
Oct	16.19	16.15	16.28	16.11
Dec	16.54	16.58	16.63	16.47
Jan	16.71	16.65	16.77	16.63
Mar	17.02	16.95	17.08	16.95
May	17.25	17.12	17.30	17.15
July	17.40	17.30	17.40	17.25
Aug	17.40	17.25	17.40	17.25
Sept	17.35	17.30	17.40	17.30
Oct	17.80	17.45	17.80	17.70

WHEAT 5,000 bu min; cents/60 lb-bushel

	Close	Prev	High	Low
Sept	289.6	285.6	291.0	285.0
Dec	300.2	298.2	302.4	298.4
Mar	307.0	304.6	308.4	303.0
May	300.4	298.6	302.0	297.4
July	282.0	280.6	283.4	280.4
Sept	284.0	284.0	288.0	284.0

SPOT PRICES—Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 748.5 (761.5) cents per troy ounce. New York tin 316-318 (same) cents per pound.

SUGAR

LONDON DAILY PRICE—Raw sugar $164.20 (£99.60), unchanged (unchanged) a tonne for October-November delivery. White sugar $187.60, unchanged.

	Yesterd's close	Previous close	Business done
	$ per tonne		
No. 6 Raws			
Oct	142.2-142.6	145.4-145.8	145.0-142.6
Dec	148.0-142.0	146.4-150.0	150.2-148.6
Mar	157.2-157.4	158.0-158.6	159.4-157.4
May	161.0-161.6	165.2-165.4	164.4-161.4
Aug	165.5-166.0	167.0-167.4	—
Oct	169.4-170.4	171.4-172.0	—
Dec	174.0-175.0	174.5-178.0	—
No. 5 Whites			
Oct	203.5-206.0	205.0-206.0	204.5-204.0
Dec	188.5-187.5	187.0-188.0	188.0-187.0
Mar	192.5-193.0	195.0-195.5	194.0-192.5
May	196.8-197.5	198.5-197.5	197.5-196.5
Aug	200.5-202.0	202.0	201.0
Oct	—	—	—
Dec	208.0-210.0	202.0-210.0	—

Sales: No 6 2,340 (4,470) lots of 50 tonnes; no 5 2,806 (2,225).

Tate & Lyle delivery price for granulated basis sugar was £204.50 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for September 18: Daily price 6.16 (6.003); 15-day average 5.68 (5.63).

...PARIS—Whites (FFr per tonne): Oct 1125-1132, Dec 1168-1170, March 1189-1197, May 1213-1223, Aug 1236-1248, Oct 1263-1275.

GAS OIL FUTURES

Month	Yesterd'ys close	+ or —	Business done
	US$ per tonne		
Oct	154.50	+0.25	154.75-53.50
Nov	156.50	+0.50	156.50-55.00
Dec	158.50	+0.75	158.50-57.00
Jan	159.25	−0.75	159.50-58.25
Feb	161.00	+5.00	—

Turnover: 2,370 (1,153) lots of 100 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 97.54p per kg lw (−0.23). GB—Sheep 158.52p per kg est dcw (−4.69). GB—Pigs 74.27p per kg lw (−1.01).

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar ends at day's peak

THE DOLLAR moved up slowly in quiet foreign exchange trading, to finish around its highest levels of the day in Europe.

The market appears to have settled into a quiet period, fearing fresh developments as far as the dollar is concerned at the International Monetary Fund annual meeting in Washington at the weekend.

Finance ministers from the leading industrial nations, known as the Group of Seven, are expected to confer, possibly on Friday, and to review the value of the dollar.

An official at the Bank of Japan said yesterday that the G7 meeting will endorse the Paris accord on currency stability, and will continue to seek exchange rate stability through co-ordinated economic policies and joint intervention when necessary.

But the market has heard several other rumours lately, including the suggestion that the G7 will revise down the dollar's trading range.

There was no reaction to news that US personal income rose 0.5 per cent in August, unchanged from the revised figure for July, and compared with a medium forecast of 0.6 per cent according to a forecast by Money Market Services.

The dollar rose DM 1.8150 from DM 1.8055; to Y143.50 from Y142.65; to SFr 1.5050 from SFr 1.4970; and to FFr 6.0475 from FFr 6.0175.

On Bank of England figures the dollar's index rose to 100.9 from 100.5.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. August average 1.5985. Exchange rate index was unchanged throughout at 73.3, compared with 72.2 six months ago.

Sterling fell ¼ cent to $1.6475-1.6485 against a generally stronger dollar. This was compensated by the pound's firm undertone against other major currencies, but trading was very quiet.

Little change is expected from the July trade deficit of £910m and the current account shortfall of £310m. The general range of forecasts is for £750m to £900m for the visible trade deficit and £150m to £300m for the balance of payments deficit.

The pound finished unchanged at DM 2.99 and rose to Y236.50 from Y236.25; to SFr 2.4950 from SFr 2.4775; and to FFr 9.9675 from FFr 9.9625.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. August average 1.8573. Exchange rate index 146.6 against 147.2 six months ago.

The D-mark lost ground to the dollar in Frankfurt. It was suggested the dollar is unlikely to develop a new trend until after the IMF meeting in Washington.

The dollar rose to DM1.8130 from DM1.8065 at the Frankfurt close. Earlier in the day the Bundesbank did not intervene when the dollar was fixed at DM1.8107, compared with DM1.8092 on Friday.

JAPANESE YEN — Trading range against the dollar in 1987 is 159.45 to 138.35. August average 147.57. Exchange rate index 221.7 against 211.2 six months ago.

The yen weakened against the dollar in Tokyo. This followed short covering of the US currency, after a Japanese newspaper report on Sunday that an unnamed US official said the dollar should remain in a range of Y140 to Y160.

The dollar rose to Y143.10 at the close in Tokyo from Y142.75 on Friday.

£ IN NEW YORK

Sept. 21	Latest	Previous Close
£ Spot	1.6500-1.6510	1.6455-1.6475
1 month	0.30-0.29pm	0.30-0.29pm
3 months	0.93-0.90pm	0.93-0.90pm
12 months	2.78-2.68pm	2.78-2.68pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Sept. 21	Previous
8.30 am	73.3	73.2

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1155	+1.55	+0.82	±1.5344
Danish Krone	7.85212	7.98683	+1.72	+0.99	±1.6404
German D-Mark	2.05853	2.07723	+0.91	+0.18	±1.0981
French Franc	6.90403	6.91970	+0.23	-0.50	±1.3674
Dutch Guilder	2.31943	2.33793	+0.80	+0.07	±1.5012
Irish Punt	0.768411	0.773058	+0.60	-0.13	±1.6684
Italian Lira	1,483.58	1,499.83	+1.10	+0.99	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

CURRENCY RATES

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

FINANCIAL FUTURES

Profit taking hits gilts

GILT PRICES failed to hang on to early gains in the London International financial futures exchange yesterday and finished down from opening levels and Friday's close. The change of direction was mainly a result of profit taking and was not seen as a negative reaction to last week's encouraging UK economic data.

Early trading was influenced by sterling's steady performance and comments over the weekend highlighting the possibility of reduced public sector borrowing, continued economic growth and further cold water being poured on fears of faster growth overheating the ecoomy.

However the more relaxed attitude was not transformed into another strong bullish trend and the temptation to take profits proved to be a little too strong. Consequently from an opening level of 116-28, the December long gilt contract, after touching a high of 117-15, fell away to a low of 116-20 before closing at 116-22.

Three-month sterling deposits managed to hang on to early gains and finished in the middle of the day's range but above Friday's close. Dealers reported a fairly good demand for contracts although cash rates were only slightly easier and the prospects of any early cut in base lending rates seemed remote.

The December price opened at 89.90, up from 89.86 and rose to a high of 89.98 before closing at 89.92.

US Treasury bond prices finished on a slightly stronger note but there was little incentive to move prices by much at the moment ahead of this week's IMF and G7 meetings. The December price opened at 83-07 up from 82-31 and closed at 83-15.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
108	8.55	9.22	0.11	0.36
110	6.63	7.44	0.19	0.58
112	5.13	6.11	0.33	1.25
114	3.41	4.52	0.61	2.02
116	2.25	3.48	1.45	2.62
118	1.29	2.47	2.49	3.61
120	0.53	1.62	4.09	5.12
122	0.28	1.26	5.48	6.40

Estimated volume total, Calls 2,305 Puts 1,623
Previous day's open int: Calls 24,238 Puts 15,494

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
78	5.51	5.34	0.21	0.60
80	4.12	4.09	0.46	1.35
82	2.46	2.63	1.16	2.25
84	1.38	2.05	2.08	3.31
86	0.53	1.24	3.23	4.50
88	0.26	0.56	4.60	6.38
90	0.11	0.34	6.45	7.60
92	0.04	0.20	8.38	9.46

Estimated volume total, Calls 70 Puts 60
Previous day's open int: Calls 817 Puts 578

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Sept.	Calls-Last Oct.	Puts-Last Sept.	Puts-Last Oct.
22750	7.03	13.06	0.08	1.46
23000	4.74	11.14	0.29	2.04
23250	2.81	9.38	0.86	2.78
23500	1.40	7.77	1.95	3.67
23750	0.57	6.35	3.62	4.75
24000	0.18	5.10	5.73	6.00
24250	0.05	4.03	8.10	7.43
24500	0.01	3.13	10.56	9.03

Estimated volume total, Calls 15 Puts 20
Previous day's open int: Calls 552 Puts 350

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE-EURODOLLAR OPTIONS

LONDON

CHICAGO

CURRENCY FUTURES

Courses

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on September 21 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.25
Albania	Lek	10.1411
Algeria	Dinar	7.7172
Andorra	French Franc	9.9675
	Spanish Peseta	199.96
Angola	Kwanza	49.923
Antigua	E. Caribbean $	4.46
Argentina	Austral	4.1018
Aruba	Florin	2.9664

COUNTRY	CURRENCY	VALUE OF £ STERLING
Ghana	Cedi	282.5775
Gibraltar	Gibraltar £	1.0
Greece	Drachma	228.52
Greenland	Danish Krone	11.4875
Grenada	E. Caribbean $	4.46
Guadaloupe	Local Franc	9.9675
Guam	U.S. $	1.6480
Guatemala	Quetzal	1.6480
		(F) 4.4921
Guinea	Franc	561.85

COUNTRY	CURRENCY	VALUE OF £ STERLING
Panama	Balboa	1.6480
Papua New Guinea	Kina	1.4568
Paraguay	Guarani	523.04
		1323.94
Peru	Inti	exc(o)26.280
		32.90
		47.85
		61.70
Philippines	Philippine Peso	33.20

MONEY MARKETS

London rates show little change

INTEREST rates were slightly easier where changed in London yesterday in rather lifeless trading. Trading in the periods tended to lack direction, reflecting recent comments by Mr Nigel Lawson, Chancellor of the Exchequer, suggesting that the last rise in clearing bank base rates had been necessary but adequate. The implication was that with sterling remaining rock steady there was little need for higher rates and little prospect of lower rates.

Consequently trading tended to be a little dull. Three-month interbank money was quoted at $10\frac{1}{16}$-$9\frac{15}{16}$ per cent, unchanged from Friday while the six-month rate eased to $10\frac{3}{16}$-10⅛ per cent.

UK clearing bank base lending rate 10 per cent since August 7

Overnight interbank money opened at 9¾ per cent and eased to 9 per cent before coming back to 9⅞ per cent. Rates then eased away to 9¼-9½ per cent before finishing back at around 10 per cent.

Bank of England forecast a flat position with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £859m and banks' balances brought forward £30m below target. These were offset by Exchequer transactions which added £310m and a fall in the note circulation of £370m.

The forecast was revised to a shortage of around £100m but the Bank gave no assistance in the morning. In the afternoon it gave help of £78m through outright purchases of eligible bank bills in band 1 at 9⅞ per cent. Late assistance came to £35m, making a total of £113m.

In Frankfurt call money was quoted at 3.6-3.7 per cent, unchanged from Friday. There was little follow through reaction to last week's tax payments and dealers were now awaiting the terms of this week's sale and repurchase agreement. A total of DM 14.4bn is to be drained from the market this week as previous facilities mature. However commercial banks still hold a comfortable level of reserves to meet minimum requirements with the Bundesbank at the month end.

In Amsterdam the Dutch central bank accepted bids totalling Fl 4bn at its nine-day special advances facility at an unchanged rate of 5.1 per cent. The allocation was a little less than an expiring agreement which drained Fl 4.7bn but this was in line with market expectations.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., *in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 18 1987					THURSDAY SEPTEMBER 17 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (93)	180.26	+1.3	161.43	163.17	2.30	177.98	160.26	161.59	180.26	99.92	79.54
Austria (16)	100.26	+2.1	89.79	94.06	2.19	98.23	88.45	92.64	101.62	85.53	95.65
Belgium (48)	127.98	+0.2	114.61	118.98	3.97	127.73	115.01	119.07	134.89	96.19	90.13
Canada (129)	135.04	+0.2	120.94	128.49	2.32	134.74	121.32	128.34	141.78	100.00	97.96
Denmark (39)	118.24	+2.1	105.89	111.77	2.53	115.80	104.27	110.05	124.83	98.18	96.75
France (121)	115.76	+1.1	103.67	109.27	2.57	114.55	103.15	108.80	121.82	98.39	95.23
West Germany (92)	101.89	−0.4	91.25	95.64	1.97	102.26	92.08	96.54	104.93	84.00	92.97
Hong Kong (45)	145.81	+1.8	130.58	146.03	2.48	143.28	129.02	143.56	147.36	96.89	76.96
Ireland (14)	143.50	+0.8	128.51	136.02	3.28	142.43	128.25	135.69	145.49	99.50	83.73
Italy (76)	88.75	+2.9	79.48	86.36	2.10	86.25	77.66	84.45	112.11	84.22	99.53
Japan (458)	142.53	+0.1	127.64	128.52	0.53	142.45	128.27	129.08	161.28	100.00	95.90
Malaysia (36)	171.01	−1.5	153.15	165.84	2.21	173.66	156.37	168.71	193.64	98.24	90.03
Mexico (14)	375.03	−0.9	335.86	635.15	0.47	378.59	340.90	638.49	422.59	99.72	60.39
Netherland (37)	124.19	+0.1	111.22	115.12	3.88	124.06	111.71	115.66	131.41	99.65	97.30
New Zealand (24)	138.87	+0.4	124.37	115.20	2.58	138.31	124.54	115.09	138.87	83.93	69.32
Norway (24)	184.40	+1.6	165.14	165.63	1.65	181.57	163.50	163.77	184.40	100.00	105.48
Singapore (27)	164.13	−1.5	146.99	157.70	1.55	166.65	150.06	160.59	174.28	99.29	89.15
South Africa (61)	182.45	+0.1	163.40	132.96	3.15	182.23	164.09	132.79	198.09	100.00	108.27
Spain (43)	165.14	−0.5	147.89	151.09	2.61	165.92	149.40	152.50	165.92	100.00	96.19
Sweden (33)	129.27	+0.1	115.77	121.57	1.90	129.12	116.27	121.86	132.10	90.85	97.05
Switzerland (53)	108.78	+0.4	97.42	100.96	1.64	108.31	97.53	101.09	110.00	92.01	92.64
United Kingdom (333)	158.01	+1.6	141.50	141.50	3.17	155.58	140.09	140.09	162.87	99.65	95.32
USA (586)	128.68	−0.1	115.24	128.68	2.85	128.76	115.94	128.76	137.42	100.00	96.52
Europe (929)	128.88	+1.0	115.42	118.55	2.78	127.58	114.88	118.00	128.88	99.78	95.13
Pacific Basin (683)	144.08	+0.1	129.03	130.27	0.68	143.87	129.55	130.69	158.77	100.00	94.61
Euro—Pacific (1612)	138.06	+0.5	123.64	125.57	1.46	137.42	123.73	125.61	143.65	100.00	94.82
North America (715)	129.02	+0.0	115.54	128.70	2.83	129.07	116.22	128.76	137.55	100.00	96.60
Europe Ex. UK (596)	110.78	+0.5	99.22	104.22	2.44	110.19	99.23	104.24	111.97	98.02	95.05
Pacific Ex. Japan (225)	163.32	+1.1	146.27	152.34	2.34	161.49	145.41	150.95	163.32	99.92	78.40
World Ex. US (1816)	138.58	+0.5	124.11	126.06	1.51	137.96	124.22	126.09	143.38	100.00	95.02
World Ex. UK (2069)	132.43	+0.1	118.59	125.77	1.87	132.27	119.11	125.97	138.82	100.00	95.63
World Ex. So. Af. (2341)	134.39	+0.3	120.36	127.16	1.99	134.04	120.69	127.20	139.47	100.00	95.51
World Ex. Japan (1944)	130.99	+0.4	117.30	126.63	2.79	130.50	117.51	126.41	134.03	100.00	95.43
The World Index (2402)	*134.70*	*+0.3*	*120.63*	*127.23*	*2.00*	*134.35*	*120.97*	*127.28*	*139.73*	*100.00*	*95.58*

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$440	—	—	—	—	5	51.90	$459.90
GOLD C	$460	12	16.40	10	28.40	—	—	"
GOLD C	$480	—	—	10	18.50	—	—	"
GOLD C	$500	—	—	25	12	25	19.50	"
GOLD C	$520	102	2	35	7.50	—	—	"
GOLD P	$460	9	10.50	—	—	—	—	"
		Dec. 87		Mar. 88		June 88		
SILVER C	$750	19	50	—	—	—	—	$741
SILVER C	$800	—	—	2	81	—	—	"
SILVER P	$700	—	—	—	—	16	75	"
SILVER P	$750	14	46	—	—	—	—	"
SILVER P	$900	10	155	—	—	—	—	"
		Oct. 87		Nov. 87		Dec. 87		
$/FL C	FL195	5	8.50	—	—	—	—	FL204.12
$/FL C	FL200	6	4.20	—	—	—	—	"
$/FL C	FL205	13	1.40	510	2.40	45	3.20	"
$/FL C	FL210	—	—	—	—	13	1.70	"
$/FL C	FL215	13	0.20	—	—	—	—	"
$/FL P	FL200	10	1	—	—	10	2.50B	"
$/FL P	FL205	5	3	—	—	3	5.40	"
$/FL P	FL220	—	—	—	—	5	17.80	"
		Sep 87		Oct 87		Nov 87		
$/FI C	FL190	1	14.30	—	—	—	—	FL204.12
$/FI C	FL195	—	—	—	—	1	10.50	"
$/FI C	FL200	10	6.40	—	—	—	—	"
$/FI C	FL210	8	2.90	2	3.50	—	—	"
$/FI P	FL195	5	3.30	—	—	—	—	"
$/FI P	FL200	20	4.80	2	7	—	—	"
$/FI P	FL205	1	7.80	—	—	—	—	"
$/FI P	FL210	5	10.30	—	—	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	FL52	210	0.20	155	1.50	80	2.50	FL47.40
ABN P	FL50	381	3	330	3.90B	9	4	"
AEGON C	FL85	—	—	53	7.50	—	—	FL86.80
AEGON P	FL85	8	1.50	—	—	25	4.70	"
AHOLD C	FL115	2	0.40	—	—	30	4	FL105.80
AHOLD C	FL104.60		10	4.30	—	—	—	"
AHOLD P	FL104.60		25	2.60	—	—	—	"
AKZO C	FL180	549	3.90	425	10.40	190	14.30	FL176.10
AKZO P	FL160	162	0.60	216	3.20B	18	5.80	"
AMEV C	FL60	14	1.30	70	4	—	—	FL58.50
AMEV P	FL60	10	2.40	189	4.20	5	5.60	"
AMRO C	FL85	257	1.50	68	4.40	33	6.20	FL83
AMRO P	FL85	116	2.80	15	5	1	6.60	"
ELSEVIER C	FL60	454	1.80B	6	3.60	105	5.50	FL61
GIST-BROC. C	FL50	55	0.70	17	2.80	2	4.50	FL47.30
GIST-BROC. P	FL45	35	0.50	11	1.60	132	2.70	"
HEINEKEN C	FL180	30	3.50	34	10	—	—	FL175.50
HOOGOVENS C	FL45	152	3.40	35	5.60	—	—	FL47.40
HOOGOVENS P	FL45	281	0.80	24	2.40	35	3.80	"
KLM C	FL50	398	2.80	169	5.50	3	7.70	FL51.90
KLM P	FL50	17	0.60	84	2.20	—	—	"
NEDLLOYD C	FL210	675	2.80	125	10.30	2	14.50	FL192.50
NEDLLOYD P	FL150	28	0.50	1	3.20	—	—	"
NAT.NED. C	FL80	124	0.40	46	2.60	—	—	"
NAT NED P	FL75	9	2.50	75	4.30	—	—	"
PHILIPS C	FL55	225	0.50	290	2	45	3.10A	FL50.80
PHILIPS P	FL50	405	0.80	251	2.50	78	3.70	"
ROYAL DUTCH C	FL270	355	2.50	255	9	—	—	FL258
ROYAL DUTCH P	FL250	361	2.30	253	6.50	5	8.10	"
ROBECO C	FL100	48	8.30	—	—	—	—	FL108.70
ROBECO P	FL110	—	—	5	3.70	—	—	"
UNILEVER C	FL136	190	6	87	11.20B	—	—	FL138.30
UNILEVER P	FL136	34	2.50	155	7	—	—	"

TOTAL VOLUME IN CONTRACTS: 27,910

A=Ask B=Bid C=Call P=Put

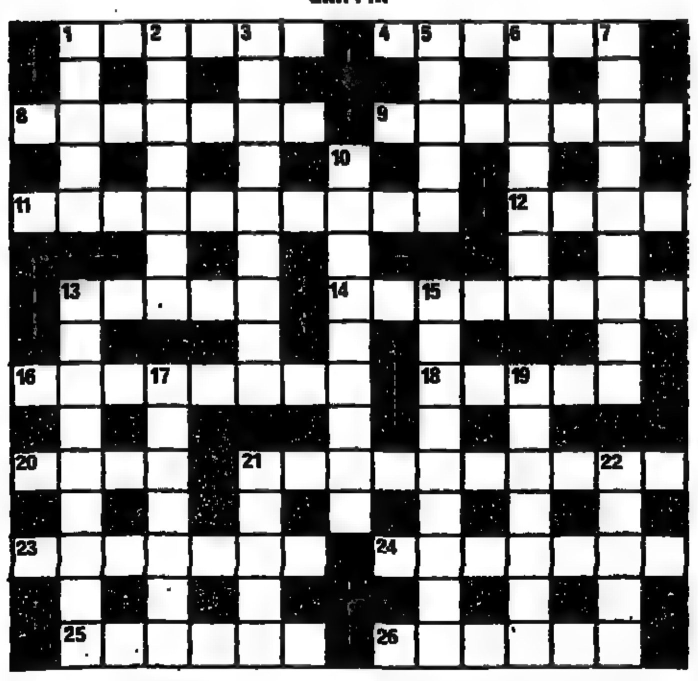
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred.	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'r'l TstC'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec.	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp.	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co.	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co.	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Sanswise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 11.125%.

FT CROSSWORD PUZZLE No. 6,436

GRIFFIN



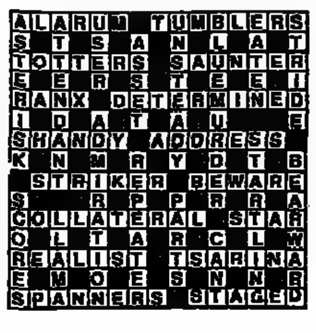
ACROSS

1 Rita turns out about six trifles (6)
4 Faint into pillow with bad back (6)
8 Edge of road we moved Daisy into (7)
9 Key worker often found in a pit (7)
11 Prime Minister who got the boot? (10)
12 Assumed it's also a playing card (4)
13 Forbid union with Africans (5)
14 Paint Ray ordered from alphabetical list (8)
16 Criticise scare put about by insulin producer (8)
18 Call out first woman without approval (5)
20 Jack imprisons skinhead for tyrant (4)
21 Being depressed, drink with policeman (10)
23 Unruly porter carries nothing for soldier (7)
24 Worries about the Queen and rushes (7)
25 Not a sincere man (6)
26 Went ahead after dad turned rotten (6)

Down

1 Craft coming up East Devon river (5)
2 Hormone for American, rising 51, in pub (7)
3 In study preparing true contract (9)
5 Repugnant article about romance (5)
6 When there's nothing up, cuts out medicine (7)
7 Talk of record to rouse assembly (9)
10 Eccentric grouses at finding extinct creature (9)
13 Restaurant supporter rises awkwardly to get key (9)
15 Lost passenger may be managing director (9)
17 Film ought to be in box (7)
19 A.A. motel ordering porridge-maker (7)
21 Complains about loud buzzers (5)
22 Sensational, endlessly blue and FREE! (5)

Solution to Puzzle No. 6,435



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)

33 King William St, EC4R 9AS. 01-280 2860

American Growth	110.0	116.3	-1.2	0.96
(Accum Units)	115.2	121.8	-1.2	0.96
American Income	50.4	51.7	-0.2	3.41
(Accum Units)	55.3	58.5	-0.2	3.41
American Sm Cos Fd	50.0	52.9	+0.0	0.48
(Accum Units)	57.0	52.9	+0.0	0.48
British Blue Chip Fund	52.8	56.0	+0.2	2.39
(Accum Units)	53.7	56.8	+0.2	2.39
European Growth	160.9	170.2	-0.5	0.35
(Accum Units)	168.0	177.7	-0.5	0.35
European Income	85.9	90.9	-0.3	3.30
(Accum Units)	90.1	95.3	-0.3	3.30
Exempt	934.2	964.5	-3.7	2.34
(Accum Units)	969.0	977.6	-4.6	2.34
General	387.4	409.9	+0.5	1.77
(Accum Units)	647.6	685.0	+0.5	1.77
Gilt	87.6	88.0	+0.1	7.38
(Accum Units)	104.2	104.7	+0.2	7.38
Global Fund	53.0	56.0	+0.0	0.65
(Accum Units)	53.0	56.0	+0.0	0.65
High Income Fund	54.9	58.0	-0.1	4.52
(Accum Units)	55.7	58.9	+0.1	4.52
High Interest Fund	44.7	47.2	+0.2	10.34
(Accum Units)	46.1	48.7	+0.2	10.34
Income	130.1	137.6	+0.8	2.92
(Accum Units)	150.1	158.8	+0.9	2.92
International	305.7	323.4	-1.8	1.29
(Accum Units)	382.6	404.6	-1.7	1.29
Japan	204.7	216.6	-1.4	0.16
(Accum Units)	210.2	222.4	-1.5	0.16
Pacific Fund	61.2	64.7	-0.3	0.10
(Accum Units)	61.7	64.7	-0.3	0.10
Recovery	329.1	348.3	-2.0	1.84
(Accum Units)	357.9	378.7	-2.1	1.84
UK Smaller Co's Fund	57.0	60.3	+0.5	1.48
(Accum Units)	57.5	60.8	+0.5	1.48

Merlin Fund Mngmnt Ltd

30 St James St, London SW1A 1HB. 01-925 1277

Merlin Sept 8	429.5	457.5	—	1.07

Metropolitan Unit Trust Mngrs Ltd

3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	65.2	69.3	—	4.33
Accum Units	65.9	70.0	—	4.29
UK Growth Fund Acc	[illegible]	[illegible]	—	[illegible]

Provident Mutual Unit Trust Managers Ltd.

25-31 Moorgate, London EC2R 6BA. 01-588 3963

PM Equity Growth	127.4	136.3	-0.1	0.98
PM Income and Growth	106.5	113.6	+0.3	2.92
PM N American Growth	57.2	60.8	-0.1	0.34
PM European Growth	52.9	56.2	-0.2	0.58
PM Japan Growth	69.6	74.0	-0.5	0.36
PM Overseas Growth	56.4	59.9	-0.1	0.43

Prudential Unit Trust Mngrs Ltd (a) (b) (c)

51-59 Hope Hill, Ilford, Essex IG1 2DL. 01-478 3377

Holborn Unit Line 0800 010101

Holborn Comm Tst	61.7	65.5	—	0.39
Holborn Equity Income	75.38	78.6	—	3.35
Holborn Equity Tst	408.8	444.9	—	2.10
Holborn European Tst	127.7	135.1	—	0.12
Holborn Gilt Tst	209.9	223.9	—	2.17
Holborn High Inc Tst	90.8	96.0	—	4.49
Holborn Intl Grth Tst	123.3	132.5	—	0.66
Holborn Intl Sm Cos	—	50.0	—	0.05
Holborn Japanese Tst	136.3	145.3	—	0.40
Holborn N Amer. Tst	94.9	102.9	—	0.48
Holborn Sm Cos Tst	82.5	87.5	—	1.33
Holborn Spec Sits Tst	109.9	116.7	—	1.26
Holborn UK Growth Tst	121.5	128.8	—	1.46

Quilter Management Co Ltd

31-45 Gresham Street, London EC2. 01-600 4177

Quadrant Gen. Fd	696.3	724.6	—	1.35
Quadrant Income	342.7	362.9	—	3.68
Quadrant Intl. Fund	495.9	491.4	-2.5	1.04
Quadrant Spec. Sits	487.2	515.6	—	1.20

Reliance Unit Mgrs. Ltd

Reliance House, Tunbridge Wells, Kent. 0892 510033

British Life	252.5	268.9	+1.4	2.25
Reliance Unit Tst (Inc)	176.0	187.1	+0.7	1.41
Reliance Ut Tst (Acc)	236.0	251.3	+0.9	1.41

Ronsbury Fund Managers

Stidmore Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	51.2	53.9	—	1.5

N.M. Rothschild Fund Mngmt

St Swithin's Lane, London EC4. 01-634 2980/4

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Init.	225.2		—
Do. Accum.	277.3		—
Guaranteed Init.	159.0		—
Do. Accum.	195.8		—
International Init.	512.3		—
Do. Accum.	630.4		—
Index Lk. Gilt Init.	135.3		—
Do. Accum.	166.5		—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	315.2	-4.9	—
Property Pens.	423.7	-6.5	—
Equity	201.3	+1.6	—
Equity Pens.	917.9	+9.8	—
Money Market	302.8	+4.1	—
Money Mkt. Pens.	345.5	+7.4	—
Deposit	239.2	+0.0	—
Deposit Pens.	382.9	+0.1	—
Managed	302.0	+2.8	—
Managed Pens.	587.0	+5.1	—
Intl. Equity	250.9	+1.5	—
Do. Pens.	985.6	+2.8	—
Intl. Managed	328.6	+0.9	—
Do. Pens.	492.2	+2.0	—
North American	132.6	-0.4	—
Do. Pens.	152.3	-0.6	—
Far East	296.7	+0.1	—
Do. Pens.	438.5	+0.2	—
Intnl. Currency	168.1	-0.2	—
Do. Pens.	216.3	-0.4	—
Index Linked	129.8	+0.5	—
S & C Managed Fd	140.4	+0.4	—
S & C Pens Mngd Fd	114.7	+0.5	—
Bell Chambers	128.8	-1.2	—
Loran & Loran	118.3	-0.1	—

Trustlink Life Funds

Per Worldwide For.	172.4	-0.3	—
Per Far East Growth	229.5	-0.7	—
Per Intl Growth	184.6	-0.1	—
Per Income	179.7	+2.2	—
Per Emerging Co's	165.8	-0.1	—
Per American Growth	147.3	-0.4	—

[illegible]

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683[illegible]

NUAM Funds

Managed Fund	57.9	61.0	+0.1
Stock Market Mngd Fund	59.7	62.9	+0.1
Equity Fund	65.0	68.5	+0.2
International Fund	55.4	58.4	—
European Fund	59.8	63.0	..
North American Fund	50.5	53.2	..
Pacific Fund	64.1	67.5	-0.1
Property Fund	52.2	55.0	—
Fixed Interest Funds	49.1	51.7	+0.3
Index linked Sec Fund	45.7	48.2	+0.1
Deposit Fund	51.5	54.3	+0.1

NUAM Retirement Plans

Mixed Fund	62.2	65.5	+0.3
UK Ordinary Share	75.0	79.0	+0.6
International Fund	57.0	60.0	-0.2
Property Fund	52.2	55.0	—
Fixed Interest Fund	50.7	53.4	+0.6
Index Linked Sec Fund	46.1	48.6	—
Deposit Fund	53.4	56.3	—

NUAM (NF)

Managed Fund	796.9	838.9	+1.9
Equity Fund	1739.9	1831.5	+6.5
Property Fund	324.9	342.0	—
Fixed Interest Fund	361.5	380.6	+1.9
Deposit Fund	210.3	221.4	+0.1
International Fund	143.8	151.4	—
Index Linked Sec Fund	45.8	48.3	+0.1

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionmaster* & Unit-Linked Plan*

Fixed Interest Fund	248.0	261.0	—
Index-Linked Sec Fund	129.7	136.5	—
Ordinary Share Fund	534.3	562.4	—
International Fund	148.1	155.8	—
Property Fund	162.8	171.3	—
Deposit Fund	167.4	176.2	—
Mixed Fund	343.0	361.0	—
Norwich Units Sep 19	1018.4		—

*Prices as at June 30.

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53	.....	3.50	6.60
52	40	Do. 6pc 28 Stb. Ass.	52xd	...	3	5.77
50	45	Do 4pc Mixed Ass.	50	.....	2	4.23
66	58	Hung. '24 Ass.	65½	.....	2.75	4.20
146½	122⅞	Hydro Quebec 15pc 2011	132¾	+⅛	15.00	11.06
136½	115½	Iceland 14½pc Ln 2016	124½xd	.....	14.50	11.54
103½	94	Ireland 9¾pc '91-96	95¾xd	+¼	9.75	11.53

AMERICANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42	32½	Abbott Laboratories$	36¼	+⅜	$1.00	—	1.7
40⅞	24⅝	Alcoa $1	36½	+½	$1.20	—	2.0
18⅞	11¼	Allegheny & W $0.01	11⅞	–½	30c	—	1.6
19¼	8⅜	Amax $1	18⅝	+¼	—	—	—
27½	17¼	Amdahl 5c	27⅝	+1¼	20c	—	0.4
35⅞	25⅝	Amer. Cyanamid $5	29⅞	.....	$1.90	—	3.9
25¼	18	Amer. Express $0.60	21⅞xd	+¼	$1.44	—	4.0
12⅞	99p	Amer. Medical Int. $1	10⅝	.....	$72c	—	4.3

[illegible]

	21¼	PHH			$1.00	—	2.9
	19½	Pacificorp $3.25	20½		$2.52	—	7.6
	13½	Pacific Telesis $0.10	17½		$1.64	—	5.7
	17¼	Pall Corp. 25c				—	1.0
	40⅞	Pennzoil 83c	42¾		$2.20	—	3.2
	21⅞	Pillsbury			$1.12	—	2.6
	20½	Primerica $1.00	26		$1.60	—	3.6
	26¼	Quaker Oats $5				—	1.5
	28⅝	RJR Nabisco Inc			$1.60	—	2.5
	27¾	Rep NY Corpn $5			$1.16	—	2.3
	14	Rockwell Intl. $1	15	+1½	66c	—	2.5

Continued on next page

Money Market Bank Accounts

ANZ Finance High Interest Cheque Acc
Minerva Hse, Montague Cl, London, SE1. 01-378 2575

Adam & Co. plc
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484

Allied Arab Bank Ltd (AAB)
97-101 Cannon St, London, EC4N 5AD

Bank of Scotland
38 Threadneedle St, EC2P 2EH.

Barclays Prime Account
PO Box 125, Northampton

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	1987 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30⅛	22⅞	Sara Lee $1	27¼xd	+¼	$1.00	—	2.2
11⅞	8¾	Saul (B. F.) $1	11¼xd	.....	20c	—	1.1
29⅝	19⅞	Southwestern Bell $1	24⅛	+⅛	k$2.32	—	5.9
19	14¼	Staley Continental	18⅞	.....	80c	—	2.7
44⅞	34⅞	Sun Co. Inc. $1	34½	+⅛	$3.00	—	5.3
42⅛	28½	TRW Inc. $0.625	37⅞	–⅛	k$1.60	—	—
34⅞	25⅞	Tenneco $5	33⅞	+⅛	$3.04	—	5.6
202½	149½	Do. 10pcLn.Stk. 91-5	202½xd	.....	10%	—	5.0
29⅝	17⅜	Texaco $6.25	24⅞xd	+⅛	$3.00	—	7.6
74⅞	47⅞	Time Inc. $1	63½xd	–⅛	$1.00	—	1.0
19⅝	11	Tracor $0.33	19¼xd	.....	40c	—	1.3
30¼	18⅞	Transamerica $1	25⅞	–½	$1.76	—	4.3
14⅛	922p	Transworld Corp $5	12¼	.....	20c	—	1.0
24⅛	14⅞	TRINOVA Corp.	23⅝	+⅛	k$1.00	—	2.6
24⅞	15⅛	♥USX $1	21½	–⅛	$1.20	—	3.4
19⅛	15⅛	Union Carbide $1	16⅞	+⅛	$1.50	—	5.4
37⅞	26⅞	Utd. Technologies	32⅝xd	+⅛	$1.40	—	2.6
38⅝	27	US West	33	.....	$3.28	—	6.1
30½	17⅛	Waste Management $1	27⅛	+⅛	—	—	—
£31⅛	£20½	Whirlpool $1.0	£22⅞	.....	—	—	—
37⅞	26	♥Woolworth $3½	30⅞	–⅛	$1.32	—	2.7

CANADIANS

1987 High	1987 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
491p	362p	ABst Gold Corp II	391p	+29	—	—	—
21⅛	10p	♥Abbot Energy Corp.	20¼	.....	—	—	—
18⅞	506p	♥Amer. Barrick Res.	18⅞	+⅛	—	—	—
136p	32p	Amer. Dalreco	92p	+6	—	—	—
141p	41p	American Lightwave	41p	–4	—	—	—
122p	52p	♥Armeno	85p	+5	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

High	Low	Stock	Price	+ or –	Div Net	C'vr	Gr's	P/E
[illegible]								
151	47	Corton Beach 10p	125	–2	0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	195	+20	—	—	—	—
*42	18	Eglinton Oil Ir.5p	26	.....	—	—	—	—
41	15	Do. Warrants	15	.....	—	—	—	—
186	101	Far East Res. 10p	161	–12	—	—	—	—
108	95	Gardner (J.J.) 5p	100	–3	R2.25	2.3	1.7	34.6
41	29	Honorbilt Group 5p	39	.....	—	—	—	32.8
133	115	Leading Leisure 5p	129	–1	0.9	3.1	1.0	37.3
90	68	Lynx Tech. 5p	90	+5	—	—	—	10.3
82	17	Publishing Hldgs 5p	61	–2	—	—	—	35.3
87	45½	Thewe Holdings	71	+2	1.0	1.9	1.9	38.1
186	140	UPL Group 10p	186	+3	L2.41	2.8	1.8	—
140	111	Unit Group	140	.....	R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	98	.....	Fin. 13% 97/02	£100¾	+¼
Craig & Rose £1	730	+25	Arnotts	380	.....
Finlay Pkg. 5p	111	+1	CPI Hldgs	85xd	.....
Holt (Jos) 25p	£18¾	.....	Carroll Inds.	188	.....
IoM Stm. £1	243	+23	Dublin Gas	40d	.....
			Hall (R. & H.)	130xd	–1
IRISH			Heiton Hldgs.	63	+1
Fund 11¾% 1988	£100¼	.....	Irish Ropes	218	.....
Nat. 9¾% 84/89	£96¾	+1¼	Unidare	420	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd.	65
BOC Grp.	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	20	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	Turner Newall	26
Coats Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds.	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2

* New time dealings may take place from 9.00 am two business days earlier.

CBI findings ensure continuation of confident tone but pace of advance slows

The Confederation of British Industries' latest findings yesterday served to underline last week's official indicators n the economy and ensured a continuation of investment confidence. But UK securities markets found upward progress a little more difficult, having to absorb a fair amount of trading stock and less energetic trading conditions.

A pause for breadth with markets possibly entering into a period of consolidation after the recent advance had been forecast by many commentators. UK institutional investors were more inhibited, some possibly reserving their funds for better buyig opportunities, but news items were suffiecent to promote specialist and other activities.

Electronic group **Plessey** again traded heavily as rumours resurfaced of stakebuilding operations. Major shareholder **Guardian Royal Exchange**, the UK composite insurer, categorically denied market suggestions that it sold substantial amounts of shares over the past few sessions. It emerged last night that Pentagon had blocked a Plessey takeover of Harris, the US semi-conductor manufacturer. **British Gas** also attracted a sizeable interest following the start of an international roadshow, covering North America and Japan.

Storehouse, the high-street retail combine headed by Sir Terence Conran, provided the session's brightest feature. The shares, persistently dull last week, particularly in the wake of the boardroom differences which resulted in the departure of Denis Cassidy and Colin Williams, rallied sharply amid an extremely lively business of 38m shares. Mountleigh's Tony Cleegg finally indicated his intent to launch a full-scale offer for Storehouse—a move first intimated some six weeks ago—by instructing merchant bank Lazards and broking house Phillips and Drew to contact Kleiwort Benson—advisors to Storehouse—to discuss terms of a possible offer. Storehouse subsequently rejected Mountleigh's proposals.

The announcement served to whet speculative enthusiasm for Storehouse shares which closed 38 up at 384p. The market is anticipating a bid pitched around 425p per share later this week. **Mountleigh** shares held up relatively well in subdued trading and eased just 3 to 279p.

Leading shares generally eased back from higher opening marks as the sales of stock from marketmakers and other professional traders were digested. Although afternoon volume was low, values picked up again in unison with Wall Street, which early yesterday was trying to recover past losses. The upshot was that the FT-SE 100 share index settled near the day's highest, closing 6.5 up at 2,334.8.

Attempts to get Government bonds back from Friday's enhanced levels met with no success until the mid-afternoon trade. A large, believed retail, seller then caused the market to back away quickly and longer bonds surrendered gains of nearly ½ to end marginally easier on the session. Earlier, the squeeze on supplies had continued as more position-takers squared their book commitments.

Institutional investors remained inactive, focussing on Wednesday's long bond auction, the following day's UK trade figures and the weekend financial meetings in Washington. High taxpayers showed renewed enthusiasm for the low-coupon tap Treasury 3 per cent 1982, and the authorities sold stock several times, remaining a seller at 93.08.

Consolidated Gold Field's complicated proposals, which allow the group to increase its stake in New mont Mining up to 49.9 per cent, confused mining market traders and the price fluctuated before finishing slightly firmer at £14.65.

Cable and Wireless, the communications group where Hong Kong's Mr Li La-Shing recently built up a near 5 per cent stake, shot up 22 to 469p with more than 9.2m shares changing hands aftr news that the company is negotiating with the Hong Kong government on a planned re-organisation of its interets in the colony.

Cable and Wireless has an 80 per cent interest in Hong Kong Telephone and an 80 per cent interest in Cable and Wireless (Hong Kong), which it would like to merge into one listed company.

Electronics issues were highlighted by **Ferranti** and **International Signal & Control** following surprise news that the two companies had agreed merger terms via a share exchange offer from Ferranti, in the ratio of nine Ferranti shares for every five International Signals. At last night's closing price for Ferranti of 137p—up 11 on the session—the bid valued International Signal shares at around 247p; they closed a net 12 higher at 231p.

Brian Newman, electronics analyst at Chase Manhattan Securities, said "the industrial logic of the merger is impeccable" and "the merged group should make annual pre-tax profits in excess of £100m." The move, Newman added, "could be the first phase of a major restructuring of the UK electronics industry."

Mr Newman warned, however, that the progress of the merger could be interrupted by an aggressive move for Ferranti by STC who he believes has been close to making a bid for the electronics group. Newman also sees Racal as possibly interested in Ferranti. STC shares, unsettled by the Ferranti bid rumours, settled 2 off at 306p, while those of Racal edged up 3 to 307p.

NatWest Bank shares drifted back to 715p before picking up to close a net 3 firmer at 723p on news that the clearing bank is seeking a listing on the Tokyo stock market. NatWest's application is being sponsored by Japanese investment house Nomura.

NatWest intends an offering of 15m new shares, or around 2 per cent of the company's capital, to the Japanese public and institutions. The share sale is expected to take place in late-October with dealings in the new shares expected early in November.

Midland Bank, however, raced up 7 more to 535p after a turnover, including the old and new shares, that topped 5m.

Stories circulating in the market suggested that Hanson Trust could possibly have picked up another 1 per cent of Midland's shares, thereby taking its stake to around 7 per cent of Midland equity.

Kleinwort Benson plummeted to 505p at one point when recent market fears of a marked interim profits shortfall and a major rights issue were proved to be correct. The shares rallied later in the session to close a net 7 off at 530p.

Kleinwort's interim pre-tax profits came out at £37.9m, compared with £57.7m in the same period last year, and the merchant bank unveiled a rights issue to raise some £143m after expenses. The terms of the rights are one-for-three at 450p a share.

Other merchant banks retreated across a broad front with notable exceptions being **Brown Shipley** which leapt 35 to 583p amid talk of a stakebuilding operation, and **Guinness Peat**, where Robert Maxwell's latest buying manouvre—lifting his stake to 10.34 per cent—saw the shares harden to 122p before settling unchanged on balance at 121p. **Morgan Grenfell**, boosted recently by takeover speculation, lost 8½ to 544p, **Hill Samuel** fell 15 to 651p and **Hambros** dipped 6 to 352p.

The insurance market made good progress at the outset but quickly ran into persistent small profit-taking which lowered prices across the board. However, a late rally left most issues with minor gains on the day.

Dolphin Packaging staged a highly successful market debut in the USM; the shares, placed at 106p, opened at 135p and advanced to 145p prior to closing at 143p.

Tarmac gave up 8 to 306p despite details of interim profits well in excess of market estimates; dealers reported switching operations—out of Tarmac into RMC—the latter's interim results are due on Thursday and the price rose 12 to 492p. **Barratt Developments** encountered nervous offerings in front of tomorrow's preliminary figures and slipped 6 to 227p. Secondary Building issues continued to attract selective support, **Robert Douglas** rising 4 to 267p and **Stanley Miller** gaining 8 to 165p; **Philip Harris**, mentioned in the same context as Cakebread, rose 27 to 345p.

The prospect of another round of tax cuts next year—although obviously having no effect on current profit levels—still stimulated fresh investment impetus for selected Stores. **W. H. Smith A** advanced 13 to 404p, while **GUS A** put on ¼ to £14¼. **Next** again buoyed by the recent good results and the novel fund-raising exercise, rose 11 more t 374p. A rare dull spot was provided by **Sears**, finally 5 cheaper at 168½ amid fears that the group may still have a part to play in the Storehouse saga. **Ratners**, the UK's leading jewellery retailer, advanced 15 to 380p reflecting widespread tlk that the group is planning a US quotation; results for the less-important first-half are scheduled to be revealed today. Dealings in former speculative high-flier **Martin Ford**, suspended on the main market at 238p, returned in USM form at 226p—way above the level of 200p forecast by City observers. Fashion group **Honeysuckle** attracted buyers and rose 11 to 166p, while **Gabicci** improved 7 to 175p in response to the sharply increased full-year profits.

Plessey attracted another substantial turnover—14m shares changed hands after th 50.5m shares turnover of last week—and the share price jumped 10 more to 210p.

Thorn EMI,flecting the proposed expansion of its rental business in North America and ahead of a series of imminent meetings with UK investment houses moved up 12 to 686p.

Elsewhere, the agreed share exchange offer for **Powerline** from **Chloride** lifted the former 5 to 158p; Chloride were 1½ up at 92p. News of a major US order triggered good demand for **Scantronic**, which settled 30 higher at 175p. **AB Electronic**, ex the one-for-one at 350p rights issue, spurted 30½ to 468p with the new nil-paid finally 104p premium.

Ransomes Sims and Jeffries advanced 15 to 330p in the wake of the 31 per cent interim profits rise.

Interest in Food Manufacturers continued to fade and the emphasis switched to Retailers where **Tesco** start the dividend season with interim results on September 30. Some 3m Tesco shares changed hands and the price firmed 4 to 197p. **Dee Corporation** softened a penny to 207p as a leading broker suggested a switch to **Argyll**; the latter gained 6 to 228p.

In the Hotel sector, **Grand Metropolitan** hardened a couple of pence to 580p following a broker's lunch, while **Ladbroke** firmed 4 to 464p. **Norfolk Capital** put on a penny to 41¾p on news that Mr Robert Maxwell had acquired a 5.1 per cent holding in the company.

Leading miscellaneous industrial stocks recorded several smart gains. **BTR** were outstanding, rising 12 to 370p reflecting traded option activity. **British Aerospace** continued to benefit from a broker's circular and gained 11 more to 514p, while **Beecham** firmed 5 to 574p and **Glaxo** hardened ⅞ to £17⅞. **Wellcome** rose 12 to 525p mainly reflecting US buying interest, but **Boots** drifted off to close 5½ cheaper at 315½p. Renewed support was forthcoming for **Pilkington** and the price closed 10 higher on balance at 312p. **Pearson** rose 21½ to 812½p as the group appointed Baring Brothers as its financial advisers, while **De La Rue** gained 24 to 535p. **Pentland** lost 14 to 190p following acquisition news, while **Spring Ram** dipped 16 to 522p, the excellent half-year figures discounted.

Morgan Crucible shed 6 to 354p despite increased half-year profits, but **Worcester** rose 10 to 945p on news of more-than-doubled interim profits and a proposed four-for-one scrip issue.

A mixed performance by Motor Components was highlighted by **Armstrong Equipment** which dipped 12 to 202p following the interim profits setback. In contrast, buyers returned for **Lucas**, finally 8 to the good at 777p.

Leading Properties started the second leg of the Account in quietly firm fashion. **Land Securities** added 4 more to 609p, while **MEPC** edged up 4 to 569p. **Rosehaugh** attracted institutional buying at £10½, up ⅛, but **Helical Bar**, after touching 330p following a newsletter recommendation, eased back on profit-taking to close 10 off at 312p. **Clayform** gained 10 to 373p following Press mention; the interim results are due today. Increased half-year profits left **Connells** 5 up at 490p, while **St. Modwen** added 4 to 87p on news that the company had sold its Clarke Securities subsidiary to BICC for £51m.

Mersey Docks and Harbour again lived up to its newly-acquired reputation as "the major trading stock in the Shipping sector." The Combined Units, sharply higher last week following a broker's recommendation and news that Peel Holdings now controls just over 10 per cent of the group, traded in lively fashion as profit-takers finally showed their hand; the close was 390p — a decline of 50 on the session.

Financials remained in favour, although interest was sharply reduced from levels prevailing last week. **MAI**, reckoned to be a possible target for Saatchi and Saatchi in its quest to widen its exposure to financial services, touched 716p before settling a net 4 to the good at 708p. Wood Mackenzie introduced a note of caution, however, in reducing their recommendation from "buy" to "hold." WM regard bid speculation in MAI as "unjustified." The preliminary figures are scheduled for next Monday.

TRADED OPTIONS

Business in traded options — sharply reduced from last Friday's levels reflecting reduced activity in the underlying securities — still amounted to a respectable 44,059 contracts traded with dealers reporting interest throughout the list. **Hanson Trust**, a perennial option favourite — returned to the fore and attracted 3,271 calls, 837 of which were done in the December 200s. **Rolls-Royce** recorded a useful and evenly-balance turnover with 1,077 calls and 3,725 puts traded, most of the latter being struck in the October 185 series.

FINANCIAL TIMES STOCK INDICES

	Sep. 21	Sep. 18	Sep. 17	Sep. 16	Sep. 15	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	86.87	86.65	85.92	85.33	85.45	83.98	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.41	91.96	91.72	91.63	91.60	91.12	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1837.3	1833.2	1812.0	1790.2	1775.4	1282.8	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	438.3	439.2	442.7	447.2	445.8	357.8	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.19	3.20	3.24	3.27	3.29	4.32				
Earnings Yld.%(full)	7.82	7.84	7.93	8.01	8.07	9.94				
P/E Ratio (net) (*)	15.65	15.60	15.43	15.27	15.17	12.34				
SEAQ Bargains (5 pm)	41,348	40,276	36,407	31,098	31,573	—				
Equity Turnover (£m)	—	1890.21	2464.44	1584.36	1296.23	377.38				
Equity Bargains	—	43,822	39,485	35,816	40,718	12,760				
Shares Traded (ml)	—	603.4	603.7	495.9	520.4	170.3				

S.E. ACTIVITY

Indices	Sep.18	Sep. 17
Gilt Edged Bargains	146.5	133.4
Equity Bargains	283.9	255.8
Equity Value	3820.6	4981.3
5-Day Average		
Gilt Edged Bargains	113.1	104.8
Equity Bargains	274.7	281.9
Equity Value	3481.2	3221.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1838.0	1835.6	1837.8	1835.7	1834.4	1835.5	1838.8	1835.2

Day's High 1839.2 Day's Low 1834.2. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, * Nil=15.40.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (245)

BRITISH FUNDS (1), INT. BANK & O'SEAS GOVT. STLG. ISSUES (1), CANADIANS (1), BANKS (5), BUILDINGS (4), CHEMICALS (4), STORES (7), ELECTRICALS (12), ENGINEERING (3), FOODS (1), HOTELS (1), INDUSTRIALS (28), INSURANCE (3), LEISURE (3), MOTORS (5), NEWSPAPERS (1), PAPERS (4), PROPERTY (3), SHOES (1), TEXTILES (3), TOBACCOS (1), TRUSTS (38), OILS (3), OVERSEAS TRADERS (3), PLANTATIONS (1), MINES (9), THIRD MARKET (2).

NEW LOWS (11)

LOANS (1) Nationwide Anglia 11¼% 26/10/87 AMERICANS (5), Allegheny & West., Chemical New York, CityFed Fin., Gt. Am. First Savings Bk., Home Grp., CANADIANS (1), American Lightwave, ELECTRICALS (1), Systems Reliability, PAPER (1), Geers Gross, MINES (2), Aquarius Expln., Anglo-Dominion.

Traditional Options

- First dealings Sept 21
- Last dealings Oct 2
- Last declaration Dec 17
- For Settlement Dec 28

For rate indications see end of London Share Service

Call options were produced in **Aitken Hume, Normans, Tusker Resources, T. Cowie, Rotaprint, Astra Holdings, Edmond, WA Holdings, Eucalyptus Pulp, Howden, New Cavendish Est., Ossery Est., Dee Corpn., Suter, Abaco, Unigate, Benlox, Norfolk Capital, Astra Ind., Portals, Polly Peck, Cauldon, Fairline Boats, ERF, Amstrad, Brunswick, AB Eng., Worcester Crown.**

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,300	204		Ladbroke	630	464	+4
Allied Lyons	741	432	−2	Land Securities	1,400	609	+4
Amstrad	1,300	176	−1	Legal & Gen.	1,700	359	−9
Argyll Group	1,700	228	+6	Lloyds Bank	998	348	+3
Assoc. Brit. Foods	27	348	−1	Lonrho	4,250	317	+4
BAT	2,900	690	+4	Lucas	441	777	+8
BET	2,600	277	+7	MEPC	535	569	+4
BICC	615	472	−5½	Marks & Spencer	7,800	247	
BOC	1,000	543	−3	Midland Bank	4,100	535	+7
BPB Inds	1,400	336	+2	Natwest Bank	1,300	723	+3
BPCC	618	362	−2	Next	2,200	374	+11
BTR	4,300	370	+12	Pearson	914	812½	+21½
Barclays	1,800	595	−3	P & O	701	728	
Bass	645	£10¼		Pilkington Bros	4,700	312	+10
Beecham	2,550	574	+5	Plessey	14,000	210	+10
Blue Circle	786	468	+3	Prudential	692	£10⅛	+⅛
Boots	2,600	316	−5	Racal	2,700	307	+3
Brit. Airways	2,900	218	+2	Rank Org.	520	702	+1
Brit. Aero	2,000	514	+11	RHM	1,200	346	−3
Brit. & Comm.	1,300	318	+4	Reckitt & Col	599	£10⅛	+⅛
British Gas	6,500	177	−2	Redland	607	511	−3
Britoil	1,700	314	−9	Reed Intl	404	542	+2
BP	5,100	373½	−3½	Reuters	698	912	+5
Brit. Telecom	5,600	263½	+1½	RMC	722	492	+12
Bunzl	294	225	−2	RTZ	352	£13⅛	−⅛
Burton	3,700	296		Rolls-Royce	5,500	204	−1
Cable & Wire	9,100	469	+22	Rowntree	143	548	
Cadbury Schwps	1,200	281	−1	Ryl Bank Scotland	156	391	
Coats Viyella	635	392	+2	Royal Insurance	1,600	588	+2
Comm. Union	3,300	408½	−2½	STC	2,900	306	−2
Cons. Gold	1,100	£14⅝		Saatchi & Saatchi	1,200	598	+6
Cookson	363	805	−1	Sainsbury	3,000	280	
Courtaulds	543	508		Scott & Newcastle	37	256	
Dee Corpn	4,500	207	−1	Sears	3,100	168½	−5
Dixons Group	751	382	−2	Sedgwick	636	284	−10
English China Clays	1,100	533	+2	Shell Trans	1,100	£13⅛	−⅛
Fisons	1,600	345	−2	Smith & Nephew	1,600	191	−1½
Gen. Accident	117	£11⅝		Standard Chart	151	825	
Gen. Elect	3,900	216		Storehouse	37,000	384	+38
Glaxo	834	£17⅞	+⅞	Sun Alliance	18	£11⅞	−⅛
Globe Investment	2,000	187	+½	TSB	2,600	143½	+½
Granada	205	356	−1	Tarmac	3,900	306	−8
Grand Met	765	580	+2	Tesco	3,100	197	+4
GUS "A"	191	£14¼	+¼	Thorn EMI	3,000	686	+12
Guardian R.E.	156	£10¼		Trafalgar House	1,200	391	+4
GKN	1,600	405	−3	T'house Forte	1,800	255	−½
Guinness	1,200	366	−3	Ultramar	764	276	−2
Hammerson	72	680	−5	Unigate	871	392	−1
Hanson Trust	4,400	183	−½	Unilever	780	638	−2
Hawker Sidd	295	588	−2	United Biscuits	234	325	+3
Hillsdown Hldgs	1,900	326	−1	Wellcome	1,300	518	+5
ICI	851	£15⅝		Whitbread "A"	1,200	331	−2
Jaguar	521	564	+3	Woolworth	815	358	

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	77	27	8
Corporations, Dominion and Foreign Bonds	25	4	24
Industrials	482	416	689
Financial and Properties	208	124	284
Oils	28	35	51
Plantations	2	4	8
Mines	61	40	89
Others	82	72	77
Totals	965	722	1,230

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Mon Sep 21 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Fri Sep 18 Index No.	Thu Sep 17 Index No.	Wed Sep 16 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (211)	984.96	+0.5	7.15	2.84	17.55	16.46	980.25	968.78	960.43	679.66
2	Building Materials (30)	1214.54	+0.4	7.69	2.89	16.20	19.29	1209.65	1187.57	1172.93	793.74
3	Contracting, Construction (33)	1832.37	−0.3	6.71	2.70	19.93	23.82	1838.16	1811.01	1789.83	1197.62
4	Electricals (12)	2531.36	−0.4	5.06	2.66	25.25	45.17	2542.59	2493.31	2481.44	1790.18
5	Electronics (35)	2876.79	+0.9	7.74	2.41	16.84	33.84	2858.13	2843.11	2823.74	1474.39
6	Mechanical Engineering (59)	524.09	+0.1	7.60	3.24	16.54	9.96	523.73	518.52	514.75	373.65
8	Metals and Metal Forming (7)	572.05	−0.8	7.02	2.85	17.31	8.88	576.55	573.55	578.81	348.24
9	Motors (14)	402.17	−0.2	7.26	2.76	16.12	5.47	402.77	396.69	391.82	276.87
10	Other Industrial Materials (21)	1731.35	+1.6	6.04	3.03	19.66	34.34	1704.25	1689.88	1684.16	1246.69
21	CONSUMER GROUP (183)	1356.20	+0.4	6.03	2.55	21.11	16.92	1351.08	1337.32	1323.51	932.31
22	Brewers and Distillers (22)	1222.59	−0.1	8.28	3.01	15.25	15.80	1224.31	1208.58	1280.79	917.62
25	Food Manufacturing (24)	1016.79	−0.3	7.25	3.06	17.81	16.23	1020.31	1019.42	1015.10	698.31
26	Food Retailing (16)	2496.77	+0.7	5.73	2.33	23.23	36.70	2480.41	2455.57	2429.68	1942.64
27	Health and Household Products (10)	2637.63	+0.7	3.93	1.53	29.45	16.41	2618.19	2589.51	2544.99	1541.80
29	Leisure (31)	1418.87	+0.5	5.78	3.11	21.58	24.82	1411.91	1403.61	1389.77	916.13
31	Packaging & Paper (15)	673.86	+0.1	6.26	2.78	21.02	10.02	673.21	671.15	669.79	461.20
32	Publishing & Printing (13)	4749.66	+0.7	4.33	2.99	29.62	59.63	4715.29	4657.73	4635.11	2654.31
34	Stores (36)	1119.91	+0.7	6.30	2.59	21.48	13.78	1112.09	1094.27	1082.67	882.90
35	Textiles (16)	873.12	—	7.23	2.63	16.02	12.07	872.76	863.66	842.91	542.18
40	OTHER GROUPS (89)	1152.88	+0.7	7.54	3.07	16.53	19.86	1145.06	1133.84	1128.38	763.52
41	Agencies (18)	1732.46	+1.0	3.48	1.38	37.82	15.18	1715.85	1719.72	1701.76	0.0
42	Chemicals (21)	1482.58	—	6.62	3.09	18.48	31.59	1482.89	1464.52	1460.70	984.88
43	Conglomerates (12)	1456.65	+0.7	7.12	3.23	16.07	21.92	1446.35	1449.63	1445.79	0.0
45	Shipping and Transport (12)	2375.06	+0.1	7.12	3.46	18.45	41.05	2372.72	2310.77	2262.61	1475.77
47	Telephone Networks (2)	1077.68	+1.5	9.41	3.75	14.18	18.98	1061.25	1052.84	1051.80	753.14
48	Miscellaneous (24)	1731.52	+0.4	8.76	2.70	13.63	32.20	1724.92	1691.94	1685.66	1056.06
49	INDUSTRIAL GROUP (483)	1219.36	+0.5	6.73	2.76	18.71	18.10	1213.40	1200.73	1190.65	832.03
51	Oil & Gas (17)	2226.76	−1.2	7.45	4.35	16.59	64.58	2252.79	2242.31	2204.62	1350.77
59	500 SHARE INDEX (500)	1304.95	+0.3	6.83	2.99	18.38	22.11	1301.67	1289.18	1276.77	876.19
61	FINANCIAL GROUP (118)	857.42	—	—	3.59	—	17.49	857.40	846.71	837.33	596.69
62	Banks (8)	839.52	+0.3	15.90	4.63	8.31	25.65	837.00	828.88	823.34	662.52
65	Insurance (Life) (9)	1188.34	—	—	3.72	—	22.60	1188.01	1164.81	1134.82	843.59
66	Insurance (Composite) (7)	677.75	−0.1	—	4.06	—	13.50	678.53	669.68	651.70	465.43
67	Insurance (Brokers) (8)	1188.12	−2.5	9.37	4.81	13.67	32.85	1218.79	1222.13	1213.32	1184.60
68	Merchant Banks (11)	490.94	−0.9	—	2.79	—	7.77	495.35	493.60	493.67	335.41
69	Property (47)	1338.18	+0.2	3.63	2.22	35.67	14.24	1335.66	1316.67	1313.06	751.66
70	Other Financial (28)	580.99	+0.4	5.74	2.64	22.08	8.27	578.46	569.69	564.03	342.15
71	Investment Trusts (91)	1178.96	+0.2	—	2.07	—	14.12	1176.06	1168.36	1155.25	771.21
81	Mining Finance (2)	695.85	−0.5	6.57	2.51	17.30	6.79	699.53	703.22	696.52	380.61
91	Overseas Traders (10)	1268.52	+0.6	7.14	3.71	16.62	29.58	1260.53	1240.64	1228.38	669.51
99	ALL-SHARE INDEX (721)	1190.84	+0.2	—	3.05	—	20.50	1188.42	1176.85	1165.19	796.77

	Index No.	Day's Change	Day's High	Day's Low	Sep 18	Sep. 17	Sep 16	Sep 15	Sep 14	Year ago
FT-SE 100 SHARE INDEX ‡	2334.8	+6.5	2335.5	2328.2	2328.3	2304.5	2279.8	2264.5	2271.8	1617.1

FIXED INTEREST

	PRICE INDICES	Mon Sept 21	Day's change %	Fri Sept 18	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.86	−0.06	120.93	—	8.55
2	5-15 years	136.27	−0.05	136.65	0.32	10.20
3	Over 15 years	144.20	−0.05	144.27	—	10.29
4	Irredeemables	159.43	+0.51	158.62	—	8.81
5	All stocks	133.46	−0.05	133.68	0.16	9.72
	Index-Linked					
6	5 years	120.43	+0.09	120.33	—	2.18
7	Over 5 years	113.53	+0.12	113.39	—	2.60
8	All stocks	113.93	+0.12	113.79	—	2.55
9	Debentures & Loans	114.01	−0.01	114.02	—	7.25
10	Preference	84.47	+0.89	83.73	—	4.35

	AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 21	Fri Sep 18	Year ago (approx.)
	British Government				
1	Low	5 years	9.40	9.38	9.27
2	Coupons	15 years	9.64	9.63	10.09
3		25 years	9.50	9.49	10.12
4	Medium	5 years	10.07	10.02	10.88
5	Coupons	15 years	9.87	9.86	10.46
6		25 years	9.68	9.71	10.18
7	High	5 years	10.15	10.10	10.93
8	Coupons	15 years	10.04	10.05	10.65
9		25 years	9.72	9.73	10.24
10	Irredeemables†		9.72	9.70	9.94
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.30	3.32	4.29
12	Inflation rate 5%	Over 5 yrs.	3.98	3.98	3.58
13	Inflation rate 10%	5 yrs.	3.29	3.30	2.89
14	Inflation rate 10%	Over 5 yrs.	3.98	3.98	3.41
15	Debs &	5 years	11.44	11.44	10.76
16	Loans	15 years	11.43	11.43	11.18
17		25 years	11.43	11.43	11.25
18	Preference†		10.79	10.89	10.99

‡Opening index 2333.4; 10 am 2330.1; 11 am 2334.2; Noon 2330.3; 1 pm 2328.2; 2 pm 2330.1; 3 pm 2335.5; 3.30 pm 2333.0; 4 pm 2331.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
‡110	F.P.	18/9	121	98	Adscene	115	+2	12.5	1.9	3.0	23.9
221	F.P.	—	253	221	Alexander (W)	253	—	4.25	2.9	2.3	20.7
††	F.P.	—	84	65	BHP Gold Mines A$0.25	79	+1	—	—	—	—
80	F.P.	—	108	85	*ChemEx. Intl.	99	−1	—	—	—	—
[illegible]											

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA
Sep. 21 | Price Sch. | + or −
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

GERMANY
[illegible]

ITALY
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

AUSTRALIA
[illegible]

AUSTRALIA (Continued)
[illegible]

HONG KONG
[illegible]

JAPAN
[illegible]

JAPAN (Continued)
[illegible]

SINGAPORE
[illegible]

SOUTH AFRICA
[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Prices at 2.30pm

[illegible]

Indices

NEW YORK — DOW JONES
[illegible]

STANDARD AND POORS
[illegible]

N.Y.S.E. ALL COMMON
[illegible]

TORONTO
[illegible]

NYSE-Consolidated 1500 Actives
[illegible]

LONDON — Most Active Stocks
Monday, September 21, 1987

	Stocks Traded	Closing Price	Change on Day
Storehouse	37.[illegible]m	384	+38
Plessey	14.0[illegible]m	210	+10
Cable & Wire	8.1[illegible]m	469	+22
Marks & Spencer	7.80m	247	—
Brit Gas	6.50m	177	− 2
Brit Telecom	[illegible]	283½	+ 1½
Rolls Royce	5.50m	284	− 1
BP	5.10m	373½	− 3½
Pilkington Bros	4.70m	312	+10
Dee Corp	4.5[illegible]m	287	− 1

TOKYO — Most Active Stocks
Monday, September 21, 1987

	Stocks Traded	Closing Prices	Change on Day
Nippon Steel	140.37m	387	− 2
Sumitomo Metal	185.31m	301	+ 3
Nippon Kokan	87.74m	[illegible]	+ 1
Mitsubishi Heavy Ind	43.39m	675	− 1
Kawasaki Steel	42.58m	325	− 1
Kobe Steel	18.57m	318	+ 1
Nisshin Steel	18.30m	615	− 5
Nippon Yusen	11.70m	616	+ 11
Komatsu	10.48m	739	+ 14
Sanyo-Kokusaku Pulp	10.03m	658	+ 7

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:		
AB Electronic	488	+13
BTR	370	+12
Brit Aerospace	514	+11
Cable & Wireless	469	+22
Calebd. Robey A	185	+25
De La Rue	535	+24
Ferranti	137	+11
Harris (Philip)	345	+27
Honeysuckle	166	+11
Int Signal	231	+12
Midland Bank	535	+ 7
Pearson	812½	+21½
Pilkington	312	+10
Plessey	210	+10
RMC	492	+12
Ransomes Sims	330	+15
Ratners	380	+15
Scantronic	175	+30
Storehouse	384	+38
Thorn EMI	686	+12
Worcester	945	+10
FALLS:		
Armstr. Equipmt	203	−12
Hill Samuel	651	−15
Kleinwort Benson	530	− 7
Mersey Docks	390	−50
PWS	353	−21
Tarmac	306	− 8

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 51

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
$37\frac{7}{8}$	21	AAR s	.50	1.3	25	353	u$38\frac{1}{2}$	$37\frac{1}{2}$	$37\frac{3}{4}$	$-\frac{1}{8}$
52	$23\frac{3}{4}$	ADT	.92	1.8	29	588	$51\frac{3}{4}$	$51\frac{1}{4}$	$51\frac{3}{4}$	
$31\frac{1}{4}$	$16\frac{3}{4}$	AFG s	.16	.6	10	x209	$26\frac{1}{2}$	26	$26\frac{1}{4}$	$+\frac{1}{4}$
$22\frac{3}{8}$	$8\frac{1}{2}$	AGS s			19	640	$21\frac{3}{4}$	$20\frac{3}{4}$	$20\frac{3}{4}$	$-\frac{5}{8}$
$9\frac{3}{8}$	$4\frac{7}{8}$	AM Intl				376	$7\frac{1}{2}$	$7\frac{1}{4}$	$7\frac{3}{8}$	
$65\frac{1}{2}$	$50\frac{1}{2}$	AMR			11	1791	$55\frac{5}{8}$	$54\frac{5}{8}$	$54\frac{5}{8}$	$-\frac{3}{4}$
$27\frac{1}{2}$	$24\frac{7}{8}$	ANR pf	2.67	10.		1	$25\frac{1}{2}$	$25\frac{1}{2}$	$25\frac{1}{2}$	$-\frac{1}{8}$
$12\frac{1}{4}$	$6\frac{1}{4}$	ARX s			11	557	$11\frac{5}{8}$	$11\frac{1}{4}$	$11\frac{5}{8}$	$+\frac{1}{8}$
$73\frac{1}{2}$	$34\frac{3}{8}$	ASA	2a	3.2		620	$63\frac{1}{2}$	$62\frac{1}{4}$	$62\frac{7}{8}$	$-\frac{5}{8}$
$20\frac{1}{8}$	$9\frac{3}{4}$	AVX			39	469	$19\frac{3}{4}$	$19\frac{1}{4}$	$19\frac{1}{4}$	$+\frac{1}{8}$
67	$41\frac{1}{8}$	AbtLab	1	1.7	23	4291	$60\frac{5}{8}$	$57\frac{7}{8}$	$57\frac{7}{8}$	-2
28	$24\frac{1}{4}$	Abitibi g				26	$24\frac{1}{4}$	d$24\frac{7}{8}$	$24\frac{1}{8}$	$-\frac{1}{8}$
$16\frac{3}{4}$	$9\frac{3}{4}$	AcmeC	.40	3.0	14	46	$13\frac{3}{8}$	$13\frac{1}{8}$	$13\frac{1}{8}$	
$10\frac{1}{2}$	$6\frac{1}{8}$	AcmeE	.32b	3.6	56	6	$9\frac{1}{8}$	9	9	
$23\frac{7}{8}$	19	AdaEx	3.42e	16.		81	$21\frac{7}{8}$	$21\frac{5}{8}$	$21\frac{3}{4}$	$+\frac{1}{8}$
$19\frac{1}{2}$	10	AdmMl s	.24	2.1	9	95	$11\frac{1}{2}$	$11\frac{3}{8}$	$11\frac{3}{8}$	$-\frac{1}{8}$
$28\frac{7}{8}$	$12\frac{1}{8}$	AdvSys	.62i	2.3	18	85	$27\frac{1}{4}$	$26\frac{7}{8}$	$27\frac{1}{8}$	$+\frac{1}{4}$
$24\frac{1}{2}$	$12\frac{7}{8}$	AMD				3271	$20\frac{5}{8}$	$20\frac{1}{8}$	$20\frac{1}{4}$	
$56\frac{3}{8}$	47	AMD pf	3	5.8		139	52	$51\frac{1}{4}$	$51\frac{3}{8}$	$-\frac{5}{8}$
$11\frac{7}{8}$	$5\frac{1}{4}$	Adobe				241	$8\frac{5}{8}$	$8\frac{3}{8}$	$8\frac{1}{2}$	
$20\frac{1}{2}$	$14\frac{3}{4}$	Adob pf	1.84	9.7		19	$19\frac{1}{8}$	19	19	
$21\frac{7}{8}$	17	Adob pf	2.40	11.		23	$21\frac{1}{4}$	$20\frac{3}{4}$	$21\frac{1}{4}$	$+\frac{3}{8}$
15	$10\frac{3}{8}$	Advest	.12a	1.1	8	221	$11\frac{3}{8}$	11	11	$-\frac{1}{2}$
$68\frac{1}{4}$	53	AetnLf	2.76	4.7	8	3136	$60\frac{1}{4}$	$59\frac{3}{4}$	$59\frac{3}{4}$	$-\frac{1}{4}$
$83\frac{1}{2}$	$28\frac{3}{8}$	AllLPb s	.32	.5	20	292	$67\frac{1}{4}$	$64\frac{3}{4}$	$65\frac{1}{4}$	-2

Continued on Page 51

NYSE COMPOSITE CLOSING PRICES

Continued from Page 50

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
32⅞	20¾	Zayre	.40	1.4	10	4537	28⅝	27¼	27⅞	−1⅜
14⅝	9⅝	Zemex	.40	2.9	9	62	13⅝	13¼	13⅝	
33⅝	18⅞	ZenithE			107	1876	27¾	25⅝	26⅝	+⅛
13½	6¼	ZenLab				587	7⅝	7⅜	7⅜	−⅛
26½	18¾	ZenNtl	.80	3.7	13	287	21¾	21¼	21⅜	−¼
20⅝	12⅝	Zero	.36	1.9	19	44	19⅝	18⅞	19¼	+⅜
30¾	17½	Zumin s	.68	2.7	17	89	26⅛	25½	25½	−⅛
10⅝	8¾	Zweig	.85e	8.3		1189	10⅝	10⅛	10⅝	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

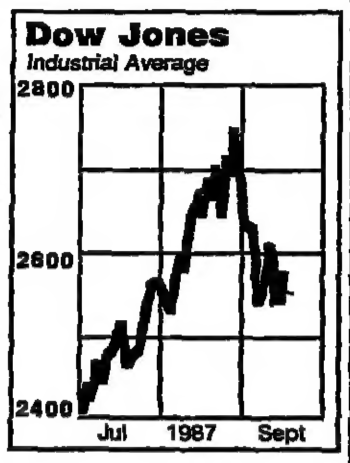
Continued on Page 49

FINANCIAL TIMES
WORLD STOCK MARKETS

AMERICA

Buyers watch early gains slip away

WALL STREET



A STRONG opening by Wall Street stocks yesterday failed to last beyond the morning as a bond market reversal and futures/related selling took the Dow Jones industrial average *downward through a 50-point* range and left it below the 2,500 level, *writes Gordon Cramb in New York.*

The Dow closed 31.82 lower at 2,492.82. Across the big board, in moderate volume of 170.1m shares compared with Friday's 188.1m, only 489 issues managed a gain as 1,049 declined. The NYSE composite index shed 2.11 to 174.25.

Despite stability in the dollar ahead of meetings this week of G5 *and G7 ministers*, buying enthusiasm was never strong and the latest phase of the decline in blue *chips extended to its fifth day and* 4 per cent as measured by the Dow.

Credit markets lost their positive tone after the Treasury was forced to postpone a batch of bill and note sales until a Congressional vote on the US debt ceiling. Federal Reserve operators acted in vain to hold down interbank rates.

In the stock market, the most prominent feature unrelated to a current takeover bid was The Gap, a large California-based chain of clothing stores. Its shares, the day's most active, dived $11¼ to trade at $36 after the company issued a preliminary earnings forecast.

It estimated that third quarter net earnings would emerge at between *40* cents and 55 cents per share against 60 cents last time. This was because of a slowdown in *consumer apparel sales which was* forcing it and other retailers to narrow margins in order to generate *volume.*

The Gap has been adding outlets this year in an attempt to increase its presence, but analysts have been querying its strategy and say that its Banana Republic division in particular has been unable to shift inventories at an acceptable rate.

The shares had already fallen $8⅝ on Friday to return near their 52-week low of $32, less than half the peak $77⅛.

The Limited, the upmarket stores group which has also fallen out of favour somewhat in recent weeks, shed $1¼ more to $34⅜ after Friday's $2 setback. K mart was $⅝ off at $39⅝ and J.C. Penney at $52½ was down $3¼.

Elsewhere in the consumer area G. Heileman Brewing came down $1½ to $40⅝, just below the new $40⅝ offer level proposed by Bond Corporation Holdings of Australia and under negotiation with the *Heileman board.*

Avon Products was unchanged at $33⅛ on news that it is paying $160m *for the privately owned* Parfums Stern, adding to its fragrances range at the high value end.

Further examination of the terms of last week's Detroit wage settlement brought muted reactions among the big three companies involved. Ford, where the deal was struck, slipped $1⅜ to $101⅜ despite a view that the job guarantees it had pledged were not as wide ranging as originally thought.

Newmont Mining remained a focus as it rearranged its capital structure in order to thwart Mr Boone Pickens. With the prospect of a $33 cash dividend, the sale of portfolio holdings and an increased role for the UK's Consolidated Gold Fields, the stock fell $7 to $94 as the *bid premium was whipped off.* The *90 per cent* owned Newmont Gold dropped $1½ to $40½.

In the electronics sector North American Philips rose $1⅛ to $55⅜, not quite matching the sweetened $56 per share offer, now all in cash, from the Dutch parent.

IBM lost initial strength to stand *$4⅛ lower at $150½ while Digital* Equipment relinquished $5 to $182½ but Hewlett-Packard gained $1¼ to $65½.

Credit markets were weighed down by the feared bunching of new Treasury issues which will be caused by the delay in its $23bn refunding exercise as well as in its weekly bill sales. Three-month yields were up nine basis points to 6.68 per cent and six-month bond-equivalent returns put on eight basis points to 7.07 cer cent.

The Fed's assistance, in the form of overnight and three-day system repurchases, held federal funds to 7⅝ per cent, but this was still above an opening 7⅛ per cent. At the long end of the government bond market the 8⅞ issue due in 2017 lost ⅝ in price to 92$^{11}/_{32}$ where it yielded 9.60 per cent.

CANADA

INDUSTRIALS AND mines led Toronto share prices marginally higher despite falling golds and energy stocks.

Alcan Aluminium rose C$1⅛ among actives to C$47⅞. Canada Development Corporation was C$⅛ up at C$13⅜ and *Dome Petroleum* added 2 cents to C$1.15.

Golds, though, were led lower by Lac Minerals' C$¼ fall to C$16. Echo Bay also gave up C$¼ to C$37⅝.

Montreal was slightly higher.

Lucy Conger explains how a bull market has risen 4,900% in under five years

Mexico's boisterous bourse outpaces the world

MEXICO'S small but buoyant stock market is the world's top performer this year with a rise in the index of 243 per cent so far.

The giddy ascent of the *bolsa* netted investors 135 per cent returns in dollar terms in the first half alone, analysts said.

In a single week this month, the index rose 21,000 points, or more than 7 per cent, to nearly 304,000 in what the Government quickly claimed was a show of confidence over the president's state of the union address on September 1 stressing the pursuit of economic policies to trim the public sector and liberalise trade.

The stock market has risen 4,900 per cent in dollar terms since January 1983 and "the bull market is still going", says financial analyst Mr Sidney Wise, adding that the steepness of the rise is unlikely to be repeated.

According to brokerage house Estrategia Bursatil, the unprecedented boom has been fuelled this year by optimism over improving trade figures, capital repatriation, fresh money flowing in from last year's foreign debt restructuring, and growing foreign reserve levels.

Although the stock index fell last week, *bolsa* and government officials moved quickly to calm investors. The drop was caused by profit-taking and a reluctance to buy when the announcement of the official candidate for president is imminent, said Mr Manuel Somoza, ex*change president.*

Finance Minister Mr Gustavo Petricioli predicted greater stability *for the stock market, noting that* Mexico's companies, undervalued until recently, are recovering the value in dollar terms which they had in 1981 and 1982 before the financial crisis.

From January to June this year the market climbed 135 per cent in dollar terms, said Mr Timothy Heyman, financial analyst for Estrategia Bursatil. For the full year from June 1986, when Mr Petricioli became Finance Minister, the market index rose 386 per cent, or almost five times in dollar terms.

The total value of the companies listed on the exchange has grown from $8bn in January to $33bn in September, Mr Heyman said.

These gains are attracting investors in increasing numbers. They are es*timated to have risen by half again* to some 300,000 this year.


Finance Minister Petricioli: sees greater stability

Economists say the most profitable financial instrument *in Mexico today is the stock market.* Yet stocks account for less than 10 per cent of trading on the Mercado de Valores, or securities market, which is dominated by sales of treasury bills and government bonds.

Lower ceilings on minimum investments are drawing small, middle-class investors into the market, but *analysts estimate that more* than 70 per cent of stocks are still in the hands of controlling shareholders, while *six of the 26 brokerages* control 70 per cent of the stock and securities trading.

The lively trading on the *bolsa* is gravitating toward new growth sectors of the economy and to companies that are reducing their liabilities through debt restructuring.

Reflecting the rapid expansion of capital markets in Mexico, the market leaders over the past two months have been the shares of nationalised banks, which are known as CAPs. From July 10 to September 4, CAPs for Mexico's three largest banks – Bancomer, Banamex *and Serfin – rose by 183 per cent,* 134 per cent and 248 per cent respectively, Mr Heyman said.

CAPs were incorporated into the stock price index of 40 shares in July and now account for about 6 per cent of the index.

Shares in the brokerage houses have also risen sharply, with one firm's share price jumping from 500 to 1,800 since June. Other houses are *said to be earning more* profits in a single month than they took throughout 1986.

Mexican companies make up three of the four top companies in the world in terms of the percentage change in their *stock price* over the past three months, according to the September report of Morgan Stanley Capital International.

All three-Tamsa, the steel manufacturer, Cerveceria Moctezuma (CERMOC), the brewery, and Apasco, the cement company – were boosted by debt restructurings.

One broker said that favourable debt capitalisations or rumours of imminent restructuring attract Mexican investors who are focusing less on price-to-earnings ratios and more on the book value of companies.

Other strong performers on Mexico's boisterous bourse include companies that are entering the growing export market. Cement and chemicals producers lead the list of new exporters attracting investors, making up more than 15 per cent and nearly 10 per cent of the stock price index respectively.

The mining sector, slightly over 10 per cent of the index, remains strong, and paper and telephone companies are performing well this year thanks to exports and dollar earnings.

At the other end of the spectrum, some companies reflect the harsh underside of Mexico's mild recovery and economic restructuring.

Eaton, the truck axle manufacturer, diversified and expanded in 1981, but its monopoly position became a liability with the 1982 financial crash and its prices are now too high to compete *internationally.* The company announced new negotiations with banks earlier this year and *its stock is currently suspended* from trading.

The laggards include automotive suppliers, consumer goods and the steel industry, which all face poor demand, compounded by triple-digit inflation.

As for the future, analysts say *that* government policy is expected to continue strengthening the market. Domestic interest rates are gradually falling and fixed-term accounts now offer negative real yields, driving more investors to the exchange.

EUROPE

Listless trading enlivened by selective sharp falls

MOST EUROPEAN markets gave ground in generally trendless trading in the absence of either strong international or domestic leads.

Frankfurt drifted listlessly lower, continuing the trend from late last week. The Commerzbank index, *measured at midsession, fell 4.8* to 1,968.3.

Chemicals managed tiny gains, *though, with BASF 60 pfg higher at* DM335.30, Bayer up 80 pfg at DM357.80 and Hoechst adding DM1.10 to DM320.50.

Tyremaker Continental took a sharper-than-average tumble, los*ing* DM6.40 to DM335.50. The share's slide comes as the group prepares a two-tranche issue of 2.4m shares later this month and in mid-October to pay for its $650m purchase of Gencorp's tyre unit.

Cars fell further behind. Daimler was DM3 down at DM1,068, while VW was off 50 pfg at DM398 and BMW fell DM8.50 to DM729.

In retailers Asko plunged DM61, or nearly 7 per cent, to DM837 after the federal Cartel Office said it may block the group's attempt to buy 24.9 per cent of fellow discount retailer Massa. In contrast, Karstadt climbed DM4 to DM580.

Banks were mixed, with Dresdner losing DM1.50 to DM358.50 but Deutsche gaining by the same amount to DM691.80.

Electronics issue Siemens added DM2.50 to DM654.20, though in the same sector AEG gave up DM3 to DM335.

Brussels ended mixed in a quiet session which was depressed slightly by selling at the end of the two week trading period. The cash index edged 0.88 down to 5,113.69.

Blue chips Solvay and Petrofina made good gains in strong overseas buying, with the former up BFr325 at *BFr15,075* and the latter rising BFr125 to BFr13,025.

Other chemicals were less impressive, with Gevaert BFr70 down at BFr8,000 and UCB weakening BFr75 to BFr10,575. Metal proces*sor Vieille Montagne fell BFr100* to BFr6,100 as investors grew squeamish over zinc prices.

Zurich crept higher in quiet trade on the tonic of the dollar's slight rise against the franc. The Crédit Suisse index closed up 3.3 at 610.7.

Most sectors gained modestly. Union Bank was SFr50 higher at SFr4,890 and Swiss Bank SFr4 up at SFr500. Crédit Suisse added SFr20 TO SFr3,410, but Gotthard Bank was the exception with a SFr25 dip to SFr985.

Industrials also fared well, with SIG's SFr400 rise to SFr7,600 among the strongest. Engineer Georg Fisher put on SFr45 to SFr1,745 and Brown Boveri was SFr30 firmer at SFr2,950.

Paris slid gently, due largely to technical sales prior to the forthcoming close of the September trading account. The CAC index fell 2.4 to 426.8.

Prouvost turned down sharply following last week's sustained surge. The textile group lost FFr65 to FFr501 following indications that its management now controls more than 50 per cent of outstanding shares – which if true would scotch a takeover advance from Chargeurs. *The latter dipped FFr66* to FFr1,217.

Blue chips gave ground, with Thomson-CSF *losing* FFr15 to FFr1,334 and Elf dipping FFr1 to FFr358.10.

Amsterdam rallied from a weak opening caused by worries over the dollar to close mixed overall. New *York's buoyant opening helped fuel* the late recovery.

Internationals were narrowly mixed. Philips fell 30 cents to Fl 50.80. It said it had sweetened the terms of its tender offer for the 42 per cent of US group Philips which it does not own.

Royal Dutch improved by 50 cents to Fl 258 and Unilever added Fl 138.70. KLM climbed 20 cents to Fl 51.90.

Oslo hit a record for the third session running as the all-share index climbed 4.82 to 442.44 in continued heavy buying.

Oils soared, led by Saga Petroleum's NKr11 jump to NKr146.50 on news that it had earned Nr 1.5bn on currency transactions between 1985 and 1987.

Industrials also flourished, with Electrisk Bureau up *NKr15* at NKr362.50 and Orkla Borregard NKr7 stronger at NKr615.

Milan slipped back slightly after last week's modest rally. The MIB index was 1 off at 851. Volume was *light and losses spread across the market.*

Helsinki marched to its seventh successive record close, although in light trade. The Unitas all-share index edged 0.4 higher to the new peak of 650.2. Bank shares again led the advance.

Madrid closed mixed as gains among banking shares were nullified by selective profit-taking in industrials. The general index slipped 0.04 to 317.01.

Stockholm moved broadly and solidly ahead with the market cheered that the weekend annual congress of the ruling *Social Democratic Party* offered no indication of new taxes on the bourse.

London

THE CBI's latest findings continued the recent run of bullish indicators for the UK economy and served to extend the gains in equity prices, although the pace of the advance slowed as buying grew more selective.

The FT-SE 100 index rose 6.5 to 2,334.8 and the narrower FT Ordinary index added 4.1 to 1,837.3.

Gilts closed easier after a large late sale discouraged the market.

Details Page 48.

ASIA

Steels shore up Nikkei as interest rate fears rise

TOKYO

DESPITE mounting hesitancy towards the close caused by the slumping bond market, share prices closed slightly higher in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average rose 67.58 from last week's close to 24,912.42. Volume fell substantially to 912.10m shares from Friday's 1.61bn. Losses led gains by 506 to 397, with 141 issues unchanged.

The market opened strongly with sufficient buying of steels and other large-capitals to push the Nikkei above 25,000. Towards the close, however, investors moved to the sidelines as falling bond prices sparked concern about a possible rise in interest rates.

Large-capitalisation steels featured on the strength of the recovering steel market and improved *crude steel production.*

Sumitomo Metal Industries was the second busiest issue with *105.31m shares changing hands.* The issue at one point gained Y8 to a record Y306, surpassing its peak of Y305 reached in 1981, but later small-lot selling trimmed it to a Y3 gain by the close at Y301.

Nippon Steel topped the actives with 149.37m shares traded, but finished Y2 lower at Y397 after advancing Y3 to Y402 at one stage.

Nippon Kokan, with 87.74m shares traded, rose Y1 to Y350, while Mitsubishi Heavy Industries (MHI) and Kawasaki Steel closed Y1 lower each at Y675 and Y326, respectively.

Paper-pulps attracted strong buy*ing interest, on an improved out*look for the industry. Sanyo-Kokusaku pulp, with 10.03m shares traded, closed Y7 higher at Y658

Bond prices plunged in thin trading, affected by the poor performance of the bond futures market.

In futures trading, a city bank placed large sell orders for the December contract, pushing it down by Y1.08 temporarily to a new low of Y99.01 for this year.

This triggered small-lot selling on the cash market and the yield on the benchmark 5.1 per cent government bond, maturing in June 1996, rose to 5.590 per cent from 5.450 per cent at the close of Friday.

AUSTRALIA

THE FOCUS in Sydney shifted away from industrials to gold and resources stocks, where strong *rises helped the All Ordinaries* index to edge up to another record, gaining just 0.4 to 2,305.9.

Trading was heavy as investors took the view that the bullion price would rise again. Among the better-*performing* gold issues, Renison and Metana managed 30-cent gains to A$16 and A$15.50 respectively. *But Poseidon, which reported higher profits*, lost 10 cents to A$6.70.

Western Mining was active among resources, climbing 19 cents to A$9.56 on nearly 20m shares traded. CSR was up 13 cents at A$4.68 and Bell Resources rose 10 cents to A$5.58.

Industrials were mixed, with some profit-taking. News Corp, which is to sell its 49 per cent stake in Provincial Newspapers of Queensland, shed 20 cents to A$23.60.

HONG KONG

A SURGE of early buying took Hong Kong share prices back into record territory as investors anticipated that the Government would revise upwards its forecast for 1987 GDP growth.

The Hang Seng index climbed 17.99 to a new high of 3,867.95 in active trading worth HK$2.95bn.

Utilities made the best gains with China Light up 30 cents at HK$27.40 and China Gas adding 20 cents to HK$20.60. Hongkong Telephone was suspended from trading after its parent, Cable & Wireless of *the UK, said it was discussing a re*organisation of the company with the Hong Kong Government.

SINGAPORE

BLUE CHIPS made further falls as thin trading continued in Singapore, exaggerating price movements. The Straits Times industrial index shed 35.27 to 1,358.07 with *turnover at a light 26.8m shares in* the absence of foreign investors.

DBS fell 40 cents to S$15.80, Singapore Airlines shed 30 cents to S$14, Fraser and Neave was 20 cents lower at S$12.70 and Sime Darby, which plans a takeover offer for Malaysian plantation company Guthrie Ropel, eased 12 cents to S$3.16.

SOUTH AFRICA

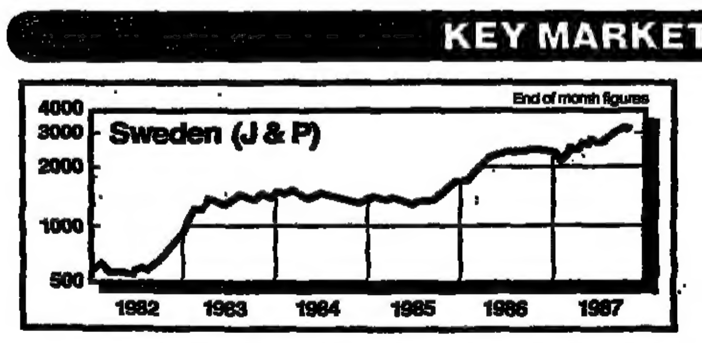
A SLIGHT dip in the bullion price and a lack of institutional interest left Johannesburg gold shares mixed to slightly lower.

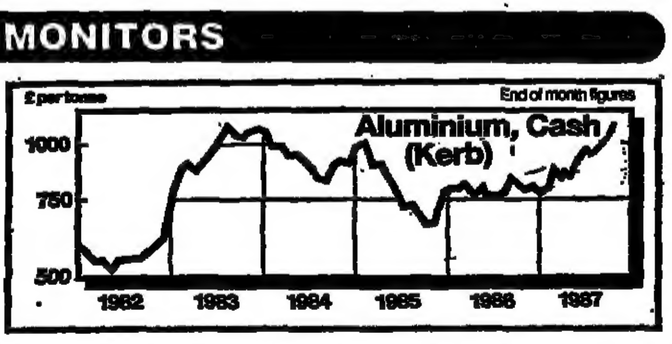
Bellwether gold Vaal Reefs dropped R7 to R443 and Randfontein fell R3 to R430. Harties lost 65 cents to R33.60 among cheaper issues. ERPM, however, added 25 cents to R44 and Elsburg rose by the same amount to R15. Speculative buying also drove Wit Nigel 95 cents higher to R4.50.

Platinums were firmer, with Lefkochrysos 25 cents higher at R22.75. Diamond stock De Beers lost 10 cents to R52.10.

Mining house Gencor moved 75 cents higher to R73.50 on the announcement it was to build a new R1.5bn gold mine. The stock rose R2.25 last week as investors anticipated the news.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Sept 21	Prev	Year ago
NEW YORK			
DJ Industrials	2,526.60*	2,524.64	1,762.65
DJ Transport	1,012.91*	1,013.83	780.13
DJ Utilities	194.05*	194.17	201.09
S&P Comp.	314.79*	314.86	232.21
LONDON FT			
Ord	1,837.3	1,833.2	1,282.8
SE 100	2,334.8	2,328.3	1,600.40
A All-share	1,190.84	1,188.42	796.77
A 500	1,304.95	1,301.67	876.19
Gold mines	438.3	439.2	357.8
A Long gilt	9.72	9.73	10.20
World Act. Ind (Sept 17)	134.35	134.16	95.31
TOKYO			
Nikkei	24,912.42	24,844.84	17,523.4
Tokyo SE	2,038.79	2,044.57	1,447.24
AUSTRALIA			
All Ord.	2,305.9	2,305.5	1,210.5
Metals & Mins.	1,462.4	1,451.2	608.9
AUSTRIA			
Credit Aktien	229.12	223.10	238.07
BELGIAN SE			
SE	5,113.60	5,114.57	3,833.23
CANADA			
Toronto			
Met.& Mins.	3,328.8*	3,315.4	2,216.09
Composite	3,911.0*	3,912.8	3,008.4
Montreal			
Portfolio	1,943.83*	1,941.41	1,514.12
DENMARK SE			
SE	n/a	206.75	196.76
FRANCE			
CAC Gen	426.80	429.20	380.2
Ind. Tendance	110.2	111.60	91.57
WEST GERMANY			
FAZ-Aktien	639.67	640.2	655.74
Commerzbank	1,968.30	1,973.1	1,984.3
HONG KONG Hang Seng	3,867.95	3,849.95	(c)
ITALY Banca Comm.	n/a	615.53	744.11
NETHERLANDS ANP CBS			
Gen	n/a	n/a	280.4
Ind	n/a	n/a	283.6
NORWAY Oslo SE	592.04	584.44	371.92
SINGAPORE Straits Times	1,358.07	1,393.34	816.92
SOUTH AFRICA JSE			
Golds	—	2,278.0	2,061.0
Industrials	—	2,203.0	1,395.0
SPAIN Madrid SE	317.01	317.05	192.89
SWEDEN J & P	3,105	3,079.70	2,470.80
SWITZERLAND Swiss Bank Ind	706.50	703.2	540.5

COMMODITIES (London)

	Sept 21	Prev
Silver (spot fixing)	445.25p	461.20p
Copper (cash)	£1,135.50	£1,120.75
Coffee (Sept)	£1,271.00	£1,287.50
Oil (Brent Blend)	$18.325	$18.275

GOLD ($/oz)

	Sept 21	Prev
London	$460.25	$461.25
Zürich	$458.85	$461.25
Paris (fixing)	$458.87*	$461.60
Luxembourg	$459.10	$460.50
New York (Dec)	$469.30*	$465.30

CURRENCIES (London)

	US DOLLAR Sept 21	US DOLLAR Previous	STERLING Sept 21	STERLING Previous
$	–	–	1.6480	1.6550
DM	1.8150	1.8105	2.9900	2.9900
Yen	143.50	142.65	236.50	236.25
FFr	6.0475	6.0175	9.9675	9.9625
SFr	1.5050	1.4970	2.4950	2.4800
Fl	2.0425	2.0310	3.3650	3.3650
Lira	1,309	1,302.5	2,157.25	2,158.83
BFr	37.60	37.50	61.95	62.10
C$	1.3145	1.3140	2.1670	2.1780

INTEREST RATES

	Sept 21	Prev
Euro-currencies (3-month offered rate)		
£	9$^{15}/_{16}$	9$^{15}/_{16}$
SFr	3$^{11}/_{16}$	3$^{11}/_{16}$
DM	4	4$^{1}/_{16}$
FFr	7$^{15}/_{16}$	7$^{15}/_{16}$
FT London Interbank fixing (offered rate)		
3-month US$	7⅞	7$^{15}/_{16}$
6-month US$	8	8$^{1}/_{16}$
US Fed Funds	7¼*	6⅝
US3-month CDs	7.25*	7.475
US3-month T-bills	6.47*	6.62

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept 21 (Sept)	84-04	84-20	83-30	83-31
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	93.50	93.65	93.50	93.57
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	n/a	n/a	n/a	93.56
LONDON				
Three-month Eurodollar $1m points of 100%				
(Dec)	91.79	91.82	91.77	91.87
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	116-28	117-14	116-28	117-00

US BONDS

Treasury	September 21 Price	September 21 Yield	Prev Price	Prev Yield
7⅛ 1989	99$^{5}/_{32}$	8.25	99	8.31
7 1994	94$^{1}/_{32}$	9.16	93$^{29}/_{32}$	9.26
8½ 1997	95$^{5}/_{32}$	9.38	94$^{15}/_{32}$	9.48
8⅞ 2017	93$^{11}/_{32}$	9.55	92$^{11}/_{32}$	9.66

Source: Harris Trust Savings Bank

Treasury Index September 21

Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.58	7.78	−0.03

Source: Merrill Lynch

Corporate	September 21 Price	September 21 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	91.75	7.22	92	7.10
SCBT South Central 10⅞ Jan 1993	101.25	10.56	100.875	10.66
Phibro Sal 8 April 1996	87.375	10.25	88.35	10.45
TRW 8⅞ March 1996	92.44	10.10	91.85	10.25
Arco 9⅞ March 2016	94.36	10.50	92.67	10.70
General Motors 8⅞ April 2016	78.60	10.60	77.14	10.70
Citicorp 9⅞ March 2016	85.92	11.00	84.43	11.20

Source: Salomon Brothers

* Latest available figures